



**DEPARTMENT  
of HEALTH  
and HUMAN  
SERVICES**  
Fiscal Year  
**2006**

Program Support Center

*Justification of  
Estimates for  
Appropriations Committees*



## **MESSAGE FROM THE DIRECTOR**

The Program Support Center (PSC) is a component of the Office of the Assistant Secretary for Administration and Management (ASAM) within the Office of the Secretary, Department of Health and Human Services (HHS).

The PSC is charged with providing a full range of program support services to all components of HHS and other Federal agencies focusing primarily on products and services in the following areas: Administrative Operations, Financial Management, Health Resources, Human Resources and Strategic Acquisitions.

The combined resources, expertise, philosophy, commitment to quality and customer-focus enable the PSC to carry out its mission of providing an expansive array of administrative and logistical support services to HHS and other Federal agencies. Highlights include:

- Leadership role in the development and management of Government accounting, payment and financial management services to 300+ HHS programs;
- State-of-the-art technology in human resources systems;
- Advanced technology support for PSC services and processes as well as comprehensive high quality computer network, telecommunication and information management services for the HHS community;
- Enhanced acquisitions and contracting capabilities, and modern facilities and asset management services; and
- Quality health professional staffing and medical supply services for Government agencies and employee health and wellness programs.

While the PSC works in a highly competitive fee-for-service environment, we are able to successfully compete by adhering to a strong commitment to customer focus. This year, in particular, we have focused on developing a strong performance management program for our organization and linking this program to budget planning and financial outcomes. FY 2004 provided us with an opportunity to create a baseline for new measures being implemented in FY 2005 and FY 2006. It has provided all of our product and service areas with a shared focus on quality delivery, customer satisfaction and cost management. For a broader understanding of the scope of PSC's work, I encourage you to read the following report, which highlights our performance during FY 2004 as well as our plans for FY 2005 and FY 2006.

J. Phillip VanLandingham  
Deputy Assistant Secretary for Program Support  
Director, Program Support Center

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER

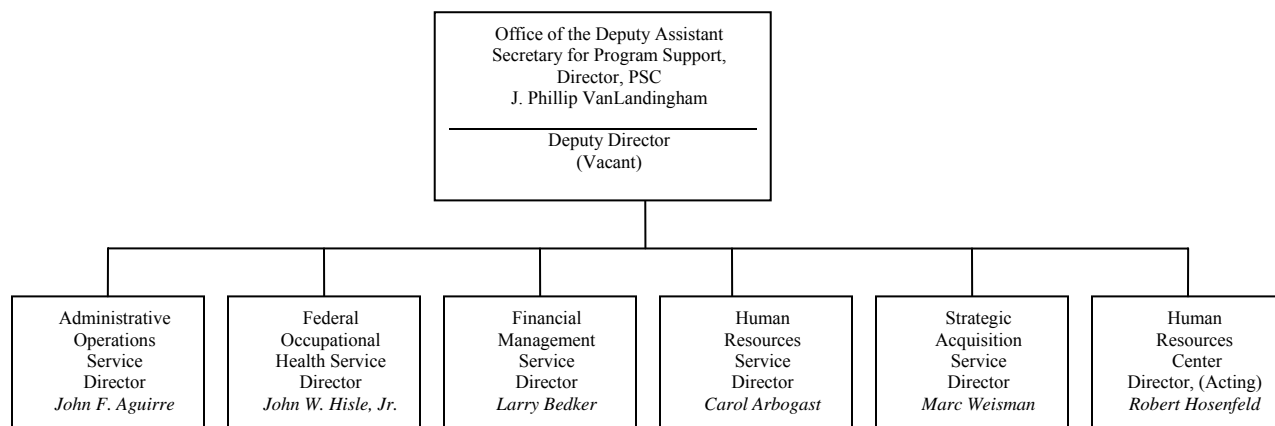
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## Department of Health and Human Services

### Office of the Assistant Secretary for Administration and Management

#### Program Support Center



**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER  
FY 2006 CJ**

**Performance Budget Overview**

**Statement of Agency Mission**

The Program Support Center (PSC) provides logistical and administrative support to the operating components of the Department of Health and Human Services (HHS) and other federal agencies. As a fee-for-service shared service enterprise, the PSC was designed to reduce government spending, HHS overhead, and duplication of efforts in the realm of administrative support services, by capitalizing on its expertise to realize significant savings through cost negotiations, economies of scale, quality consistent service and consolidated and timely delivery of products and services. The PSC provides services on a competitive, fee-for-service basis to customers throughout HHS, as well as to approximately 14 other executive departments and 20 independent federal agencies

The activities of the PSC are supported through the HHS Service and Supply Fund, under authority that was established by 42 USC 231. The Fund provides a Working Capital fund for financing and accounting for business-type operations involving the provision of common services and commodities. It is governed by a Board of Directors, chaired by the HHS Deputy Secretary, with the Assistant Secretary for Budget, Technology, and Finance serving as Vice Chair. The Board includes representatives from each HHS Operating Division (OPDIV) as the major stakeholders, and the PSC Service Directors. Each PSC cost center is fully burdened and managed as a self-sustaining business line. The actual cost of service provided is billed to the customers based upon an approved rate structure and pre-determined demand estimates. Services are provided to all components of HHS and other Federal Agencies, primarily in five broad business areas: human resources, financial management, administrative operations, health care resources, and strategic acquisition.

**Discussion of Strategic Goals**

The PSC Strategic Plan outlines our framework both for the present and into the future. In 2003, PSC set forth its first Strategic Plan. Each year we update the plan to ensure we are focused on critical initiatives and anchored in customer needs. This document has been updated to reflect our future strategies and expected results.

The centerpiece of this plan revolves around five strategic goals – each vital for defining our focus, ensuring integrated processes that produce results for the customer and disciplined processes for controlling cost. Each goal is essential to producing high quality performance, low cost, high productivity, improved risk management, and continuous opportunities for improvement.

The PSC's guiding principles are an integral aspect of our strategy for the future and are key to successfully providing quality products and services as we strive for satisfied customers served by a committed workforce:

***Customer Service***

We are committed to building partnerships with our customers that will enable us to deliver quality products, excellent service and meet their evolving program support needs.

***Workforce Excellence***

We are committed to developing a workforce comprised of talented employees who have the proper tools, clear organizational vision, training, and incentives to foster a commitment that guarantees outstanding product and service quality.

***Cost Management***

We are committed to ensuring the “price is right” by operating a “fee-for-service” business based upon cost control, cost transparency, good governance, leading practices, economies of scale and market-driven prices.

***Business Strategy and Innovation***

We are committed to exploring new ideas and delivery methods through collaboration with our customers, ongoing continuous process improvement, and re-engineering.

***Communication***

We are committed to engaging in ongoing dialogue with our customers, seeking honest feedback and constructive criticism to enable us to improve our product and service quality and reduce costs.

More than ever, the PSC is focused on delivering product and service value, good governance, and consideration for employees and customers. We focus on integrity and we abide by our commitments. This transparency is embedded in our organizational and business strategies.

**PSC Strategic Goals Aligned by HHS Annual Plan**

<b>HHS Annual Plan</b>	<b>PSC Strategic Goals</b>
8. Improving Department Management	Business Strategy & Innovation Customer Service Cost Management Workforce Excellence

**Overview of Agency Performance**

In order to become the transparent organization demanded in the marketplace, the PSC must be fully aware of our position and reputation among current and potential customers. In order to do this, we must understand the areas where we excel and those where we face challenges.

One of the PSC’s greatest assets is the technical expertise, experience and dedication of our employees. They provide our customers with high quality services in our business lines and have specialized knowledge of their business practices. Many of the staff possess industry certifications in their various fields of expertise.

Furthermore, the PSC is able to leverage economies of scale to offer our customers consolidated product and service offerings at competitive rates. If we are not staffed with a specific capability, we have the expertise and flexibility to partner or outsource the required task to meet scalability

needs. Through our reengineering efforts, the PSC intends to focus on streamlining, allocating costs properly, and implementing best business practices. We will lead where we are the experts and will outsource or partner those capabilities that are led by others.

The range of products and services that the PSC has developed and cultivated in response to customers needs has enabled us to begin to expand our core customer network, while investing in our own workforce and infrastructure. The PSC has spent the past two years determining what those core services are. In-depth studies examined where we could expand our customer base, where we could partner with other organizations in order to gain the strength of other leaders, whether our costs were correct, and whether our prices were competitive in the market. All of this was done with our customer in mind. While our primary focus is on our HHS customers, we realize that there are benefits to be gained by expanding to include other Federal agencies, such as economies of scale and lower prices through higher demand. We have taken steps to ensure that the level of customer satisfaction increases. The key to our success in meeting our customer's expectation is to measure our performance. As a result, in FY 2004 we implemented performance standards for each product/service line that provide the customer with a service expectation of timeliness and quality.

The PSC intends to become the leading provider of administrative support for the Department of Health and Human Services, and potentially for a large portion of the Federal Government, allowing customers to focus on their core missions.

The PSC is defining its core architecture, which will serve as the foundation for achieving the two primary outcomes of excellent service delivery – improved quality and reduced cost to HHS.

## Overview of Agency Budget

### Expenses by Activity Dollars in Thousands

	FY 2004		FY 2005		FY 2006	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Human Resources Service	242	\$51,804	215	\$61,133	215	\$61,467
Financial Management Service	211	54,898	251	56,788	251	56,635
Administrative Operations Service	226	86,170	221	88,051	221	88,237
Federal Occupational Health Service	93	167,660	93	169,502	93	175,098
Strategic Acquisition Service	71	103,591	145	116,255	145	116,589
Office of the Director	31	1/	38	1/	38	1/
Human Resources Centers	245	42,977	416	43,873	416	44,167
TOTAL	1,119	\$507,100	1,379	\$535,602	1,379	\$542,193

1/ Expenses for the immediate Office of the Director have been distributed to all operating services.

The Program Support Center (PSC) provides logistical and administrative support to the operating components of the Department of Health and Human Services (HHS) and other federal agencies. As a fee-for-service shared service enterprise, the PSC was designed to reduce government spending, HHS overhead, and duplication of efforts in the realm of administrative support services, by capitalizing on its expertise to realize significant savings through cost negotiations, economies of scale, quality consistent service and consolidated and timely delivery of products and services. The PSC provides services on a competitive, fee-for-service basis to customers throughout HHS, as well as to approximately 14 other executive departments and 20 independent federal agencies

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# Revenue by Customer

## PROGRAM SUPPORT CENTER FY 2006 REVENUE DISTRIBUTION (\$000)

	ACF	AOA	AHRQ	CDC	CMS	FDA	HRSA	IHS	NIH	SAMHSA	OS	OTHER	Totals
Description													
<b>Administrative Operations Service</b>													
PSCAOS 91101	-	-	47	47	-	47	47	47	47	47	47	-	\$ 374
PSCAOS 91105	-	-	1	1	-	101	76	1	34	5	5	5	\$ 230
PSCAOS 91207	-	-	-	-	-	-	-	62	-	-	72	-	\$ 134
PSCAOS 91208	77	2	2	47	24	56	11	80	89	3	19	-	\$ 410
PSCAOS 94207	-	-	25	8	1	6	4	18	1	1	1	10	\$ 74
PSCAOS 94208	71	10	96	-	-	-	-	-	-	8	124	-	\$ 309
PSCAOS 95605	-	2	188	33	-	175	10	6	7	5	739	1,175	\$ 1,175
PSCAOS 95606	-	-	2	10	-	21	19	22	5	19	48	36	\$ 201
PSCAOS 95634	-	-	-	-	-	-	-	-	-	-	788	-	\$ 788
PSCAOS 95607	14	19	143	15	14	63	45	16	28	31	114	56	\$ 557
PSCAOS 95610	-	-	1	-	-	43	5	0	0	5	3	0	\$ 58
PSCAOS 95611	48	30	44	17	-	66	29	14	14	28	74	279	\$ 642
PSCAOS 95612	-	2	39	3	-	-	-	-	-	48	171	57	\$ 322
PSCAOS 95613	24	15	27	33	1	463	48	9	60	96	198	982	\$ 982
PSCAOS 95614	9	1	15	49	25	218	45	85	128	21	69	-	\$ 665
PSCAOS 95615	-	-	-	-	-	6,322	5,339	53	67	-	728	-	\$ 12,510
PSCAOS 95616	-	-	14	-	-	-	26	172	-	19	20	27	\$ 278
PSCAOS 95617	-	-	5	-	-	9,346	103	32	0	139	15	543	\$ 10,183
PSCAOS 95618	989	110	-	69	926	613	632	44	-	91	1,838	-	\$ 5,313
PSCAOS 95619	-	-	1	0	-	259	68	2	0	9	184	62	\$ 585
PSCAOS 95620	35	3	2	151	35	308	116	54	47	869	482	109	\$ 2,211
PSCAOS 95623	38	37	351	45	74	1,757	986	576	329	396	319	-	\$ 4,927
PSCAOS 95625	1	9	102	55	2	191	119	17	7	378	193	0	\$ 1,075
PSCAOS 95626	72	47	65	66	63	260	218	109	1	399	417	0	\$ 1,718
PSCAOS 95627	-	19	60	18	17	1,259	267	45	-	110	332	42	\$ 2,167
PSCAOS 95629	-	-	819	-	-	5,584	1,477	217	19,939	1,228	635	2,865	\$ 32,763
PSCAOS 95633	-	-	2	0	-	17	12	4	2	10	11	7	\$ 64
PSCAOS 95631	1,100	75	-	-	-	-	485	112	-	-	1,658	-	\$ 3,429
PSCAOS 97630	-	-	-	-	-	-	-	-	-	-	-	4,093	\$ 4,093
<b>Sub-Total</b>	<b>\$ 2,501</b>	<b>\$ 381</b>	<b>\$ 2,070</b>	<b>\$ 666</b>	<b>\$ 1,181</b>	<b>\$ 27,176</b>	<b>\$ 10,186</b>	<b>\$ 1,798</b>	<b>\$ 20,753</b>	<b>\$ 3,929</b>	<b>\$ 8,470</b>	<b>\$ 9,127</b>	<b>\$ 88,237</b>
<b>Financial Management Service</b>													
PSCFMS 92401	1,893	95	24	533	1,932	9	834	125	3,681	156	-	75	\$ 9,357
PSCFMS 92402	1,068	80	35	559	1,426	12	519	32	8,241	90	38	4,124	\$ 16,225
PSCFMS 92403	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
PSCFMS 92404	1,817	24	24	-	-	-	804	458	-	210	186	2,481	\$ 6,004
PSCFMS 92405	2,711	177	153	169	-	73	3,259	2,545	-	598	2,482	386	\$ 12,553
PSCFMS 92406	960	99	147	-	-	-	1,086	6,127	-	263	920	89	\$ 9,691
PSCFMS 92407	232	21	47	-	-	-	234	-	-	73	647	3	\$ 1,257
PSCFMS 92408	43	4	9	117	140	168	58	358	524	16	101	9	\$ 1,547
<b>Sub-Total</b>	<b>\$ 8,724</b>	<b>\$ 500</b>	<b>\$ 439</b>	<b>\$ 1,379</b>	<b>\$ 3,497</b>	<b>\$ 261</b>	<b>\$ 6,795</b>	<b>\$ 9,645</b>	<b>\$ 12,446</b>	<b>\$ 1,406</b>	<b>\$ 4,373</b>	<b>\$ 7,168</b>	<b>\$ 56,635</b>
<b>Federal Occupational Health</b>													
PSCFOH 01501	149	13	4	517	493	925	186	477	524	68	184	108,942	\$ 112,482
PSCFOH 01502*	8	2	4	78	72	133	21	193	16	6	22	38,296	\$ 38,853
PSCFOH 01503	-	-	-	1,760	-	25	-	151	-	-	21	21,806	\$ 23,763
PSCFOH 01504*	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
PSCFOH 01505*	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
PSCFOH 01506*	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
PSCFOH 01507*	-	-	-	-	-	-	-	-	-	-	-	-	\$ -
<b>Sub-Total</b>	<b>\$ 158</b>	<b>\$ 15</b>	<b>\$ 8</b>	<b>\$ 2,354</b>	<b>\$ 565</b>	<b>\$ 1,084</b>	<b>\$ 207</b>	<b>\$ 822</b>	<b>\$ 541</b>	<b>\$ 75</b>	<b>\$ 227</b>	<b>\$ 169,044</b>	<b>\$ 175,098</b>
<b>Human Resource Service</b>													
PSCHRS 94211	39	-	5	137	-	180	51	164	296	53	52	-	\$ 977
PSCHRS 94213	-	-	142	-	-	-	-	-	-	252	95	-	\$ 488
PSCHRS 94212	314	21	56	1,305	784	1,901	277	2,375	3,572	95	598	242	\$ 11,540
PSCHRS 94215	608	152	152	3,342	2,127	4,861	608	5,924	7,747	304	3,950	304	\$ 30,078
PSCHRS 94217	228	57	57	1,253	797	1,822	228	2,221	2,904	114	1,480	114	\$ 11,274
PSCHRS 94301	-	-	-	-	-	-	-	-	-	-	4,132	2,976	\$ 7,109
<b>Sub-Total</b>	<b>\$ 1,188</b>	<b>\$ 230</b>	<b>\$ 412</b>	<b>\$ 6,037</b>	<b>\$ 3,708</b>	<b>\$ 8,764</b>	<b>\$ 1,163</b>	<b>\$ 10,684</b>	<b>\$ 14,520</b>	<b>\$ 817</b>	<b>\$ 10,307</b>	<b>\$ 3,636</b>	<b>\$ 61,467</b>
<b>Strategic Acquisition Service</b>													
PSCSAS 95601	673	30	83	17	-	2	139	40	7	220	598	182	\$ 1,990
PSCSAS 95635	1,657	19	71	-	-	-	541	402	51	-	1,260	371	\$ 4,371
PSCSAS 95636	16	6	-	-	-	-	-	-	-	-	70	2	\$ 94
PSCSAS 95628	-	-	-	188	-	10	39	2,397	504	-	-	104,917	\$ 108,054
PSCSAS 95641	22	4	4	238	27	263	16	305	1,173	6	22	-	\$ 2,079
<b>Sub-Total</b>	<b>\$ 2,368</b>	<b>\$ 59</b>	<b>\$ 158</b>	<b>\$ 443</b>	<b>\$ 27</b>	<b>\$ 274</b>	<b>\$ 735</b>	<b>\$ 3,143</b>	<b>\$ 1,735</b>	<b>\$ 226</b>	<b>\$ 1,950</b>	<b>\$ 105,470</b>	<b>\$ 116,589</b>
<b>PSC Total</b>	<b>\$ 14,939</b>	<b>\$ 1,184</b>	<b>\$ 3,087</b>	<b>\$ 10,880</b>	<b>\$ 8,978</b>	<b>\$ 37,559</b>	<b>\$ 19,086</b>	<b>\$ 26,091</b>	<b>\$ 49,994</b>	<b>\$ 6,453</b>	<b>\$ 25,327</b>	<b>\$ 294,446</b>	<b>\$ 498,025</b>
<b>Human Resource Centers</b>													
HR Center 11111	2,064	163	413	-	1,043	14,145	1,224	-	-	380	4,150	-	\$ 23,583
HR Center 22222	-	-	-	971	7,116	-	-	-	-	-	-	-	\$ 8,087
HR Center 33333	-	-	-	12,497	-	-	-	-	-	-	-	-	\$ 12,497
<b>Sub-Total</b>	<b>\$ 2,064</b>	<b>\$ 163</b>	<b>\$ 413</b>	<b>\$ 13,468</b>	<b>\$ 8,159</b>	<b>\$ 14,145</b>	<b>\$ 1,224</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 380</b>	<b>\$ 4,150</b>	<b>\$ -</b>	<b>\$ 44,167</b>
<b>Totals</b>	<b>\$ 17,003</b>	<b>\$ 1,347</b>	<b>\$ 3,500</b>	<b>\$ 24,348</b>	<b>\$ 17,137</b>	<b>\$ 51,705</b>	<b>\$ 20,310</b>	<b>\$ 26,091</b>	<b>\$ 49,994</b>	<b>\$ 6,833</b>	<b>\$ 29,478</b>	<b>\$ 294,446</b>	<b>\$ 542,193</b>

## Summary of Changes

### SUMMARY OF CHANGES

#### Rationale for the Budget

FY 2005 Estimate, per FY 2005 Congressional Justification	544,623,000
Net Change, FY 2005	<u>(9,021,000)</u>
FY 2005 Revised Estimate	535,602,000
Net Change, FY 2006	<u>6,591,000</u>
FY 2006 Estimate	542,193,000

#### Details, FY 2005 Net Change:

Delay of New Business for FOHS	(25,000,000)
Transfer of Library to NIH (AOS)	(3,737,000)
Transfer of Claims (AOS)	(652,000)
Transfer of PSC/OIT transferred to ITSC	(5,232,000)
New Business for SAS	12,570,000
O&M costs for DFAS (HRS)	5,638,000
E-Learning Licenses (HRS)	2,915,000
CIT costs for DFAS transfer (HRS)	1,092,000
HRC costs increase (Rent & Facilities Support)	1,171,000
UFMS costs for additional resources (FMS)	2,503,000
Miscellaneous Decreases	<u>(289,000)</u>
Total Change, FY 2005	(9,021,000)

#### Details, FY 2006 Net Changes:

Pay	948,000
Anticipated New Business (FOH)	<u>5,643,000</u>
Total Change, FY 2006	6,591,000

**Budget Authority by Activity****DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER****Budget Authority by Activity**

	<b>FY 2004 Actual</b>	<b>FY 2005 Estimate</b>	<b>FY 2006 Estimate</b>	<b>Increase or Decrease</b>
<b>Expenses.....</b>	<b>\$507,100,000</b>	<b>\$535,602,000</b>	<b>\$542,193,000</b>	<b>\$6,591,000</b>
<b>FTE.....</b>	<b>1,119</b>	<b>1,379</b>	<b>1,379</b>	
<b>Human Resources Service.....</b>	<b>\$51,804,000</b>	<b>\$61,133,000</b>	<b>\$61,467,000</b>	<b>\$334,000</b>
<b>Financial Management Service.....</b>	<b>54,898,000</b>	<b>56,788,000</b>	<b>56,635,000</b>	<b>-153,000</b>
<b>Administrative Operations Service</b>	<b>86,170,000</b>	<b>88,051,000</b>	<b>88,237,000</b>	<b>186,000</b>
<b>Federal Occupational Health.....</b>	<b>167,660,000</b>	<b>169,502,000</b>	<b>175,098,000</b>	<b>5,596,000</b>
<b>Strategic Acquisition Service</b>	<b>103,591,000</b>	<b>116,255,000</b>	<b>116,589,000</b>	<b>334,000</b>
<b>HR Centers.....</b>	<b>42,977,000</b>	<b>43,873,000</b>	<b>44,167,000</b>	<b>294,000</b>
<b>TOTAL.....</b>	<b>\$507,100,000</b>	<b>\$535,602,000</b>	<b>\$542,193,000</b>	<b>\$6,591,000</b>

**Budget Authority by Object Class**

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER  
EXPENSES BY OBJECT

	FY 2005	FY 2006	Increase or Decrease
	Estimate	Estimate	
Full-time equivalent employment.....	1,379	1,379	0
Full equivalent of overtime & holiday hours.....	10	10	0
Average SES level.....	2.90	2.90	0
Average SES salary.....	\$150,071	\$154,276	\$4,205
Average GS grade.....	10.90	11.09	0.19
Average GS salary.....	73,242	73,959	717
Average CO grade.....	3.25	3.39	0.14
Average CO salary.....	70,412	72,966	2,554
Average Wage Graded grade.....	4.88	4.91	0.03
Average Wage Graded salary.....	55,326	56,875	1,549
<b>Personnel Compensation:</b>			
Full-Time Permanent (11.1).....	\$88,780,000	\$91,266,000	2,486,000
Other than Full-Time Permanent (11.3).....	5,020,000	5,161,000	141,000
Other Personal Compensation (11.5).....	3,020,000	3,105,000	85,000
Military Personnel (11.7).....	4,180,000	4,305,000	125,000
Subtotal, Personnel Compensation.....	101,000,000	103,837,000	2,837,000
Civilian Personnel Benefits (12.1).....	25,600,000	26,317,000	717,000
Military Personnel Benefits (12.2).....	1,930,000	1,988,000	58,000
Benefits to Former Personnel (13.0).....	643,000	651,000	8,000
Subtotal, Pay Costs .....	129,173,000	132,793,000	3,620,000
Travel (21.0).....	5,912,000	5,932,000	20,000
Transportation of Things (22.0).....	2,999,000	3,036,000	37,000
Rental Payments to GSA (23.1).....	12,587,000	13,442,000	855,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	46,597,000	47,171,000	574,000
Printing and Reproduction (24.0).....	1,178,000	1,193,000	15,000
<b>Other Contractual Services:</b>			
Advisory and Assistance Services (25.1).....	23,774,000	23,823,000	49,000
Other Services (25.2).....	120,110,000	120,358,000	248,000
Purchases from Govt. Accts. (25.3).....	36,444,000	36,519,000	75,000
Operation and Maintenance of Facilities (25.4).....	18,402,000	18,440,000	38,000
Medical Care (25.6).....	38,207,000	38,286,000	79,000
Storage and Maintenance (25.7).....	2,277,000	2,280,000	3,000
Subtotal, Other Contractual Services.....	239,214,000	239,706,000	492,000
Supplies and Materials (26.0).....	93,764,000	94,692,000	928,000
Equipment (31.0).....	4,178,000	4,228,000	50,000
Subtotal, Non-Pay Costs.....	406,429,000	409,400,000	2,971,000
Total, Reimbursable Obligations.....	535,602,000	542,193,000	6,591,000

## Salaries and Expenses

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER SALARIES AND EXPENSES

Object Class	FY 2005 Estimate	FY 2006 Estimate	Increase or Decrease
<b>Personnel Compensation:</b>			
Full-Time Permanent (11.1).....	\$88,780,000	\$91,266,000	2,486,000
Other than Full-Time Permanent (11.3).....	5,020,000	5,161,000	141,000
Other Personal Compensation (11.5).....	3,020,000	3,105,000	85,000
Military Personnel (11.7).....	4,180,000	4,305,000	125,000
<b>Subtotal, Personnel Compensation.....</b>	<b>101,000,000</b>	<b>103,837,000</b>	<b>2,837,000</b>
Civilian Personnel Benefits (12.1).....	25,600,000	26,317,000	717,000
Military Personnel Benefits (12.2).....	1,930,000	1,988,000	58,000
Benefits to Former Personnel (13.0).....	643,000	651,000	8,000
<b>Subtotal, Pay Costs.....</b>	<b>129,173,000</b>	<b>132,793,000</b>	<b>3,620,000</b>
Travel (21.0).....	5,912,000	5,932,000	20,000
Transportation of Things (22.0).....	2,999,000	3,036,000	37,000
Communications, Utilities, and Miscellaneous Charges (23.3).....	46,597,000	47,171,000	574,000
Printing and Reproduction (24.0).....	1,178,000	1,193,000	15,000
<b>Other Contractual Services:</b>			
Advisory and Assistance Services (25.1).....	23,774,000	23,823,000	49,000
Other Services (25.2).....	120,110,000	120,358,000	248,000
Purchases from Govt. Accts. (25.3).....	36,444,000	36,519,000	75,000
Operation and Maintenance of Facilities (25.4).....	18,402,000	18,440,000	38,000
Medical Care (25.6).....	38,207,000	38,286,000	79,000
Storage and Maintenance (25.7).....	2,277,000	2,280,000	3,000
<b>Subtotal, Other Contractual Services .....</b>	<b>239,214,000</b>	<b>239,706,000</b>	<b>492,000</b>
Supplies and Materials (26.0).....	93,764,000	94,692,000	928,000
<b>Subtotal, Non-Pay Costs .....</b>	<b>389,664,000</b>	<b>391,730,000</b>	<b>2,066,000</b>
<b>Total, Reimbursable Obligations.....</b>	<b>518,837,000</b>	<b>524,523,000</b>	<b>5,686,000</b>

## **Narrative by Activity**

### **Human Resources Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$51,804,000	\$61,133,000	\$61,467,000
FTE	242	215	215

FY 2006 Authorization – Indefinite

### **Statement of Budget**

The estimated FY 2006 budget for HRS is \$61,467,000, to provide HR services as described below.

### **Program Description**

The Human Resources Service (HRS) provides an extensive array of personnel systems, administration and management, training, and payroll services to the Department of Health and Human Services. The mission of HRS is to provide high quality human resource services at competitive prices to a multi-customer base of HHS components and other federal agencies. These services include automated personnel and payroll systems support, equal employment opportunity, and workforce development. In addition, HRS provides compensation and medical benefits to active duty and retired Commissioned Corps officers. HRS also serves as a liaison between the new payroll service provider and HHS employees. In addition, HRS manages the HHS University, which provides opportunities for skill development and common needs training across the Department.

The mission of HRS is to provide high quality services at competitive prices to a multi-customer base of HHS components and other customer agencies. The overall goal of HRS is to be widely recognized as the leader in providing quality, cost competitive services to the Department and other government agencies.

### **Enterprise Applications Division**

All HHS OPDIVs and Staff Divisions (STAFFDIVS) receive personnel and payroll systems support from HRS. HRS currently manages the Department's payroll operations through the Division of Payroll, providing pay services to all HHS employees every pay period, serving over 63,000 employees each month. The Departmental payroll system will be transitioning to the Defense Finance and Accounting System. The present payroll operations activity keeps current and historical personnel, pay, and leave records on HHS civilian employees. HRS currently manages and maintains a Department-wide personnel system, PeopleSoft, integrated with the legacy payroll system.

### **Commissioned Corps Support Services**

The HRS Office of Commissioned Corps Support Services (CCSS) provides an administrative infrastructure for the Public Health Service by performing all personnel and pay systems administration activities for Commissioned Corps Officers, both active and retired; administers the Commissioned Corps retirement program and survivors' assistance program; and provides administrative management and direction relating to medical matters affecting Commissioned Corps Officers, retirees, and their family members.

### **Equal Employment Opportunity Office**

HRS manages the Equal Employment Opportunity Office (EEO), which provides administrative EEO services to PSC, AHRQ, and SAMHSA. In this role, EEO administers the affirmative action employment program to encourage and assist the agencies in voluntarily taking affirmative steps to correct the effects of past discrimination. It also provides prevention techniques for present and future discrimination without resorting to litigation or other formal governmental action. It administers the special emphasis/diversity programs to deal with the special needs of particular groups and to foster a working environment in which employees treat each other with respect and dignity and value the differences in backgrounds that each employee brings to the workplace. EEO administers the discrimination complaints program to identify and eliminate discriminatory policies and practices from the workforce based on race, national origin, color, sex, age, religion, disability, sexual orientation and/or reprisal. EEO operates an alternative dispute resolution (ADR) program in order to resolve complaints of discrimination at the earliest possible stage; and administers an EEO complaints investigation program for HHS to provide EEO complaint investigations on a timely and impartial basis.

### **HHS University**

HHS University (HHSU) supports the Department's mission and goals by providing high-quality, cost-effective continuous learning and development opportunities. HHSU employs innovation in emerging learning technologies including the promotion of E-Learning, while supporting HHS in its recruitment and retention of a highly qualified workforce. HHSU develops and delivers competency-based common needs training and programs to all HHS employees. It supports HHS change management activities by fostering a continuous learning culture and development of a flexible workforce. HHSU's focus is to achieve cost efficiencies and economies of scale in the attainment of training and development services.

### **HRS Performance Analysis**

In FY 2004, the Human Resources Service contributed significantly to the achievement of strategic goals and objectives for both the PSC, and HHS as a whole. One such area was the continued efforts made in consolidating the payroll function government-wide. HHS and the Defense Finance and Accounting Service (DFAS) jointly conducted a fit gap analysis and defined new requirements needed to support paying HHS employees. Interfaces were developed to support sending and receiving information between the DFAS pay system and Department's HR system. Several interfaces were modified in order to continue supporting the Department's legacy systems such as accounting and internal time and attendance systems. Conversion efforts to the new payroll provider, DFAS have been underway. A training plan was developed to transition current payroll

staff to a new customer-oriented environment under this initiative. The plan will be implemented in FY 2005 (PMA – Expanded Electronic Government).

HRS successfully implemented the annual pay raise and the retro pay raise for the Department's civilian employees. Interfaces supporting E-Gov initiatives such as E-Payroll and Electronic Official Personnel File (eOPF) were developed to facilitate transfer of HR data to the new environments. Several electronic interfaces were designed and developed to provide information from the Department's HR system (PeopleSoft 8) to the eOPF system. These interfaces eliminate the need to maintain paper copies of employee information (PMA – Expanded Electronic Government) (PSC FY 04 – 4.5).

In addition, HRS has taken on responsibility for many technology enhancements and implementation in order to further automate processes, thus creating a more efficient environment in which to manage the workforce. For example, in FY2004 HRS deployed QuickHire, an automated staffing tool, which all customers are currently using. The QuickHire tool allows applicants to apply on-line, certificates to be issued to managers within one to two days of the announcement's closing date, and on-line certificates available to managers. In conjunction with the implementation of QuickHire, HRS revamped the job announcement web site to make announcements more readable, and the entire process more user-friendly. QuickHire has been selected as the Departmental solution to the staffing process (PMA – Strategic Management of Human Capital) (HHS – 2. Implement Strategic Human Capital Management) (PSC FY 04 – 4.5).

Another HRS initiative was the implementation of Peregrine Help Desk software which was installed to replace the legacy help desk software previously used by the HRS staff. As part of this initiative, the payroll help desk and the EHRP help desk were consolidated, providing customers with a single point-of-contact for resolving payroll and EHRP related issues. The users have web access to the Peregrine software that which allows them to submit and track the status of issues. The new software provides automated tracking of calls and generates reports for users and management. Backlogged calls from both systems have been managed, tracked and eliminated. Other technology initiatives are described in further detail in the Detail of Performance Analysis section later in this document (HHS – 6. Consolidate Management Functions and Achieve Administrative Efficiencies).

As an additional effort to create efficiencies, HRS, and more specifically, the Division of Equal Employment Opportunity was successful in working with OMH, FDA, HRSA, and IHS, to begin providing PSC a single payment for funding Parklawn Commemorative Events. One payment will be processed in the future for each Parklawn OPDIV rather than processing multiple funding documents for the events.

Another component of HRS, the Commissioned Corps Support Services (CCSS) group is supporting electronic initiatives within the President's Management Agenda by developing an electronic health record interface that will be compliant with the Health Insurance Portability and Accountability Act (HIPAA) and ensure Corps readiness by making an electronic health record readily available to medical review staff (PMA – Expanded Electronic Government). The CCSS Medical Affairs Branch (MAB) business modernization efforts resulted in recommendations to PSC and Office of Public Health and Science (OPHS) leadership for transfer of health care entitlement to TRICARE. This transition, when complete, will result in savings of nearly \$5 million. The MAB prepared a detailed management analysis with recommendations in support of continued access to NIH Dental Clinic for US Public Health Service (PHS) Commissioned Corps Officers as the most



cost efficient manner of providing dental care to Officers in the National Capitol Area. They also completed a national project designed to provide commercial sector dental care to Commissioned Corps Officers nationwide, resulting in a cost savings of 40% over the current cost of care. The CCSS Competitive Sourcing project resulted in competing four full time equivalent (FTE) employment authorizations against the private sector as a means of achieving best value for human capital investment.

HRS was also instrumental in addressing professional development training needs across the organization. One such example is the implementation of an online e-Learning module for the prevention of sexual harassment. This module was made available for HHS-wide usage at no cost to the OPDIVs (PMA – Strategic Management of Human Capital).

A newer component of HRS, the HHS University, spent FY04 establishing a core set of services and offerings for customers. To support the strategic development of human capital within the Department, the University implemented an enterprise Learning Management System (LMS) that will provide a robust set of electronic tools to manage and support employee training and development activities. As a component of the new LMS, customers will have access to 72 new common needs courses organized under 10 curriculum areas ranging from administrative skills, computer applications, career planning, and leadership development. HHSU has also partnered with colleges and universities around the country to bring HHS employees new continuing education opportunities. Participants have the ability to take credit and non-credit classes with partnering institutions (PMA – Strategic Management of Human Capital).

Additionally, HHSU prepared to pilot a newly developed Leadership Development Program based upon a set of leadership competencies. Additionally, HHSU is offering a variety of leadership development courses. Also in FY04, HHSU conducted a Department-wide training needs survey and is utilizing the information gained from this survey to determine services and courses to provide to the Department. This resulted in the adoption of OPM's Executive Core Qualities (ECQs) and established HHS performance indicators for leadership competencies. HHSU also worked toward developing Core Competencies for all HHS employees. These competencies will serve as the backbone to all of HHSU's human capital development services and programs, and will be a guide to managers and employees as they identify relevant training and development activities (PMA – Strategic Management of Human Capital).

Through consolidation of training services, leveraging the use of emerging learning technologies and utilizing HHS and Government-wide buying power, HHSU is achieving cost efficiencies and economies of scale.

### **Rationale for the Budget**

The FY 2006 expenses for the HRS are estimated at \$61,467,000, a net increase of \$334,000 from FY 2005 based on anticipated pay raise and other mandatory increases.

## **Financial Management Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$54,898,000	\$56,788,000	\$56,635,000
FTE	211	251	251

FY 2006 Authorization.....Indefinite

### **Statement of Budget**

The estimated FY 2006 budget for FMS is \$56,635,000, to provide financial management services as described below.

### **Program Description**

The Financial Management Service (FMS) serves as a major part of the foundation of the Department's finance and accounting operations through the provision of grant payment management services, accounting and fiscal services, debt and travel management services, and rate review, negotiation, and approvals for departmental and other federal grant and program activities to HHS and other federal departments. Fiscal advice, as well as technical and policy guidance, is also available to assist in implementing new initiatives towards assuring compliance with regulatory requirements.

### **Division of Payment Management**

The Division of Payment Management (DPM) provides a centralized electronic funding and cash management service to all organizations receiving HHS grants and contracts, and for organizations funded by 12 other federal agencies. In addition to automated payments, DPM monitors funds in the hands of grant recipients, provides debt management services in the form of debt collection, and enforcement and the collection of over-advanced amounts. DPM achieves economies of scale through the cross servicing of many agencies.

DPM functions, as directed by OMB, as a Federal government central collection point for interest earned on un-dispersed grant funds. Other types of interest collections are processed by the Debt Collection Center within the FMS Division of Financial Operations.

DPM operates and maintains the Payment Management System (PMS). This system is capable of receiving automated or manual payment requests, editing them for accuracy and content, batching them for forwarding to the Federal Reserve Bank for payment, and recognizing and posting them to the appropriate general ledger accounts.

On-line inquiry capabilities allow all PMS users and clients to determine the status of their respective accounts on a real time basis. Timing and amounts of payments can be checked, balances can be verified, collection information can be confirmed and funding levels and grant award amounts can be verified. Access can be achieved with computers by dial-up, or through the DPM home page on the Internet.

## **Division of Financial Operations**

The Division of Financial Operations (DFO) provides full accounting and fiscal services for the PSC and several other HHS agencies, including the Office of the Secretary (OS), Administration for Children and Families (ACF), Administration on Aging (AoA), Indian Health Service (IHS), Health Resources and Services Administration (HRSA), Substance Abuse and Mental Health Services Administration (SAMHSA), and the Agency for Healthcare Research and Quality (AHRQ).

All DFO accounting and financial management systems all comply with generally accepted accounting principles. In addition, DFO adheres to regulations mandated by the General Accounting Office (GAO), OMB, General Services Administration (GSA), and the Department of the Treasury (Treasury) that comply with laws passed by Congress. These federal agencies require periodic fiscal reporting in various forms, including financial statements that are subject to independent audits.

The major statutes that govern the DFO operations are: Chief Financial Officers Act of 1990, Certifying Officers Act of 1941, Prompt Payment Act of 1989, Federal Managers' Financial Integrity Act of 1982, Debt Collection Act of 1982, Federal Financial Management Improvement Act of 1996, Debt Collection Improvement Act of 1996, Government Performance and Results Act of 1993, and the Government Management Reform Act of 1994. The DFO also follows OMB Circular A-11 instructions on budget execution under existing federal laws.

The proprietary and budgetary accounting principles are applied to appropriations, allotments and allowances in processing cash receipts, recording purchases (obligations), receiving (accruals), disbursements, payroll, and inventory control. All obligations recorded in the accounting system by DFO follow the GAO guidelines published in the Principles of Federal Appropriations Law.

The DFO is designated the Debt Collection Center for HHS. The services provided include day-to-day interaction with the Department of Justice (DOJ) and Treasury in successfully collecting overdue accounts. Collections are deposited within 24 hours to either the Treasury or appropriate agency account.

The DFO refers eligible Health Professions debt to the Office of the Inspector General (OIG) for exclusion from participation in Medicare. Prompt, accurate, effective collection and deposit of funds owed to the Federal Government is essential to fulfillment of public financial and program objectives. Timely exclusion from federally supported Medicare reimbursement for services has been highly effective in achieving compliance from medical professionals who fail to meet legal debt obligations to the Federal Government.

The DFO records all obligations into the accounting system, based on procurement documents issued by authorized contracting officers and purchasing agents. These obligation transactions update the budgetary accounts, and weekly reports are produced for monitoring by agency budget officers.

The DFO provides full interagency accounting services via electronic communications through the Treasury Intra-governmental Payment and Collection System (IPAC).

The DFO furnishes fiscal advice, and provides technical and policy guidance to headquarters program offices and field accounting activities. Additionally, DFO prepares auditable financial statements and reports for internal and external use.

### **Division of Cost Allocation**

The Division of Cost Allocation (DCA) is the third major component of FMS and carries out the following responsibilities:

- Reviews, negotiates and approves indirect cost rates, facilities and administrative cost rates, state and local government cost allocation plans, public assistance cost allocation plans, research patient care rates and/or amounts, fringe benefit rates, and other special rates for organizations receiving federally sponsored awards.
- Serves as liaison with federal agencies on operational matters involving review and negotiation of indirect cost rates and cost allocation plans.
- Resolves audit findings on cost allocation plans, indirect cost rates, etc.
- Provides technical assistance on indirect cost and cost allocation matters to federal agencies and organizations receiving federally sponsored awards.
- Performs functions described above on behalf of all federal agencies when HHS is designated the cognizant agency by OMB.
- Negotiates indirect cost rates on behalf of other federal cognizant agencies on a reimbursable basis.
- Collects rate agreements (issued by HHS and other Departments) for organizations not subject to the commercial cost principles and distributes them on a government-wide basis.
- Evaluates a wide range of ADP and telecommunication facilities operated by state/local governments, colleges and universities, and other nonprofit organizations to determine whether charge-backs for services to federal programs are reasonable, proper and allowable under federal cost principles.
- Maintains the Cost Allocation Management Information System; the Indirect Cost Rate Information System; the Rate Agreement Distribution System and the Statistical Analysis System in support of DCA activities.

### **FMS Performance Analysis**

In FY04, the Financial Management Service contributed to the Department-wide implementation of a new financial system, the Unified Financial Management System (UFMS). Representatives from FMS worked closely with the UFMS project team, and staff from other OPDIVs as subject matter experts in the development activities. This is in alignment with the Department-wide goal of improving financial management practices (PMA – Expanded Electronic Government) (HHS – 7. Improve Financial Management).

FMS also worked to ensure that PSC would be successful in the annual audit process. There were dedicated resources to tasks required in order to achieve an unqualified audit. In addition, resources were directed at addressing and resolving prior findings and conditions, as well as immediately taking action on those items that were discovered and/or reported in the current year's review(PMA – Improved Financial Performance) (PSC FY 04 – 3.1) (PSC FY 05, FY 06 – 2.6).

FMS also made significant progress toward increasing service to its customers with a focus on improving efficiencies with enhanced technology and refinement of its operating programs and systems. For example, refinements and improved functionality in the Payment Management System have resulted in an increased level of service to both granting agencies and grant recipients. Ninety-nine percent of all grant recipients now request their funds electronically, and over ninety-nine percent of all funds are delivered electronically. The Division of Payment Management is servicing 12 other Federal agencies and 70 components within these agencies, as well as approximately 25,000 recipient accounts.

In the Division of Financial Operations, the Debt Management Branch is a Treasury Designated Debt Collection Center for HHS that collected an average of \$500 million in per year over the last five years. The Debt Collection Center designation, which expires May 15, 2005, is primarily for Health Profession Debt. The PSC will remain abreast of debt collection requirements, practices and techniques, and will apply for re-designation in FY2005 (PSC FY 04 – 1.15).

The PSC has an extremely strong track record for improved financial performance. In FY 2004, more than 595,000 payments, in excess of \$285 billion, were made with less than 180 payment errors. This is an erroneous payment rate of 0.0003%. Erroneous payments are primarily the result of incorrect banking information, which are discovered through Treasury notification and the cash reconciliation process. FMS' performance in response to the Prompt Payment Act is also impressive – DFO has consistently exceeded OMB's 95% target of on-time payments. The on-time payment rates for FY 2000 through 2003 were 99.7% or better, and the rate for FY 2004 is 99.7%. In FY 2002 and FY 2003, more than 99% of all eligible payments were made electronically. For FY 2004, 98.3% of all eligible payments were made electronically. The government-wide goal is 95%. In addition, Cost Allocation services included approximately 2,400 negotiations in FY 2004, cost savings of \$725 million for FY 2004, and actual cash recovery of \$80 million (PMA – Improved Financial Performance) (HHS – 7. Improve Financial Management).

### **Rationale for the Budget**

The FY 2006 expenses for the FMS are estimated at \$56,635,000, a net decrease of \$153,000 from FY 2005 due to depreciation costs ending, but will be offset with relocation costs and other mandatory increases.

## **Administrative Operations Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$86,170,000	\$88,051,000	\$88,237,000
FTE	226	221	221

FY 2006 Authorization .....Indefinite

### **Statement of Budget**

The estimated FY 2006 budget for AOS is \$88,237,000, to provide administrative operations services as described below.

### **Program Description**

The Administrative Operations Service (AOS) provides a wide range of administrative and technical services to customers within the Department and other federal agencies. The major service areas include: real property management, which includes facilities management, leasing and disposition of surplus federal property; personal property management, including state-of-the-art warehousing and inventory control; technical support and communications management which includes telecommunications, visual communications, printing and publications, reprographics, conference room/training facilities, and mail and messenger services; and management of regional contracts for administrative support to HHS customers outside the Washington area. AOS will also oversee the business functions of the PSC, to include cost/pricing guidance, centralized Service Level Agreements, competitive sourcing, and the agency performance management, as well as the management of the Freedom of Information Act and Records Management Office.

### **Property Management**

AOS has been delegated the authority by GSA to manage 1.4 million square feet in the Parklawn and Park Buildings, and the Personal Property Facility. AOS has developed and continually improves state-of-the-art automated systems to manage these facilities. The systems provide paperless processing, analytical data, tracking information, service records and budget information needed to document operations in support of the facilities. AOS maintains an automated security access system that serves many of the HHS facilities in Montgomery County. New safety and security initiatives were recently implemented in the Parklawn Building, such as a Shelter-In-Place Plan and an emergency notification system utilizing the existing HHS Octel network. This system is used to alert Continuity of Operations Plan (COOP) members of after-hour emergencies. Perimeter security has been strengthened around the Parklawn Building with raised berms, the addition of bollards, and reinforced railings. AOS maintains an aggressive energy management program, which has resulted in utility company rebates and savings that have been, in turn, reinvested in additional energy conservation projects. The work performed through this program has resulted in Parklawn receiving a Presidential Energy Award and being named a "Showcase Facility" by the Federal Energy Management Program, Department Of Energy. The AOS recycling

program continues to add more materials for collection and reuse. Their administration of the Department's Transit Subsidy Program has grown to include over 8,000 HHS customers and media distribution of over \$5 million a year.

The Computer Aided Design (CAD) Program has been expanded beyond drafting capabilities to process alteration projects through the contract of services. It tracks the number of each line item used from the Unit Price Agreement (UPA) each year so that all negotiations on a succeeding UPA are based on accurate historical data. The system captures space assignments from which rent charges are based. AOS now offers its customers "One-Stop-Shop" where all aspects of a renovation or alteration project and/or move can be handled through a single contact person.

AOS administers the Surplus Federal Real Property Assistance Program for the Department and has transferred hundreds of surplus properties to states and local government agencies and private nonprofit organizations for use as laboratories, health clinics, water and wastewater systems, facilities to assist the homeless, and many other public health uses. As the Federal Government continues to release its unneeded real property, business will continue to grow.

AOS operates a 105,000 square foot Personal Property Facility (PPF) in Gaithersburg, Maryland. The facility has designated secure storage and climate control areas to provide for a diversity of warehousing services. The PPF is equipped with a radio frequency online automated inventory control system, state-of-the-art racking, and specialized material handling equipment. The inventory control system recently converted to a fully- accredited and certified secure modern, Oracle database, provides life cycle inventory management information, property disposition tracking, and ensures optimal space utilization. The 24/7 Internet web page provides a nationwide customer base the opportunity to request personal property management services, product distribution services and contract labor support services electronically, around the clock and around the country. By design, the web ordering system interfaces with other automated systems to provide paperless transactions, track workload data and eliminate duplication of data input. This year, AOS initiated an automated interface with the software used by the Division of Acquisition Management, significantly furthering the goal of eliminating all redundant data entry. A similar interface is being developed with the Financial Management software, leading to an eventual "cradle to grave" management approach for all personal property assets. The system automation was implemented in FY 2004. An expansion of the automated Pick-to-Light carousel system, which interfaces with the web ordering system and an automated mail/shipping system, has allowed AOS to expand its forms and publications customer base. New distribution business services provided to the Food and Drug Administration (FDA) is driving a significant increase in the business line and the AOS expects to acquire at least one additional major agency as a customer for its Property Disposal program in FY 2004. The PPMB completed a short term, but very large storage project for SAMHSA, in association with their relocation.

### **Technical Support**

The Division of Technical Support (DTS) provides expertise in telecommunications, visual communications, reprographics, printing procurement and publications management, automated conference room facilities, and mail and messenger services. DTS is committed to providing high quality, timely and responsive technical support services on a cost effective, customer friendly, competitive, fee-for-service basis to customers throughout the Federal Government. DTS continues to be involved in a number of efforts to save its customers money. Staff meets regularly with

current and potential customers to review existing partnerships and explore new avenues for business development.

The implementation of Business Case Analysis (BCA) recommendations across the Division continues to result in cost centers operating in accordance with best business practices. Of note, is the conversion to contract out the Reprographic cost center completed its first year of contractor operation by the close of FY 2004. Also in FY 2004, the PSC partnered with NIH and CDC in merging components of the PSC's Parklawn Health Library (PHL) under the respective OPDIV's Library operations. The library mergers support the Secretary's desire for administrative consolidation and maximize NIH and CDC capabilities.

The Telecommunications staff provides cost-effective, responsive, and flexible telecommunication's products and services for HHS within the National Capital Region (NCR). They provide strategic coordination, integration of voice, data, and video communications via telephone network facilities, and implement major network changes to assure cost efficient, technologically current services. Specialists establish and manage partnerships with customers and vendors, and serve as liaisons with OPDIV telecommunications managers. These specialists are also responsible for the voice mail systems, maintenance to the desktop; management and oversight of domestic and international long distance services including domestic and international calling cards, and 800 services. Centralized billing for telecommunications includes high level monitoring of vendor invoices to ensure accuracy and contract compliance, and a central focus dedicated to providing error-free bills for all customers.

The Media Arts Branch (MAB) considers graphic design contractors as "partners" in the process of delivering high quality services to customers. These companies employ exceptionally diverse talents. Because MAB's staff possesses expertise in interacting with customers in both concept and administrative functions, contractors can perform their specialty without the hindrance and distraction of this facet of the job. Ultimately, this saves the customer time and money. Media Arts also provides a full range of conference services to all federal agencies in its 17 room conference facility. This facility offers a professional staff of audio visual technicians who provide services that include the latest technology for wide-band videoconferencing, satellite downlink broadcasts, web casting, and distance learning. In addition, digital projection systems for use with computer-generated, large screen presentations provide customers with the latest high resolution technology needed in medical seminars and meetings for health and drug research professionals.

The Printing and Postal Technologies Branch (PPTB) has the primary responsibility for providing postal metering and delivery of mail pieces, as well as, providing a wide range of printing procurement services for customers of HHS. The PPTB is responsible for the sorting, metering, shipping, and delivery of mail pieces for HHS OPDIV customers located both at the Southwest Complex of offices in Washington, DC and the Parklawn Complex of offices and buildings in suburban Maryland. The PPTB is also responsible for the development, management, and execution of an ongoing agency-wide printing procurement and product distribution program. This includes providing technical expertise, direction, procurement, and execution of all aspects of the federal printing and publishing program. Branch specialists are responsible for maintaining an agency-wide mail management program which includes the yearly estimating, verification, and reporting of actual mail expenditures of HHS OPDIV's and executing and maintaining a Department-wide forms management program.



## **Other Administrative Support**

Through the Division of FOIA Operations, the PSC Business Operations, and the Office of the Director, AOS also provides a number of services to Departmental customers and performs a number of corporate functions for the PSC:

**Freedom of Information Act (FOIA) Services** – The Division of FOIA Operations provides services to the health agencies and the PSC under the provisions of the FOIA. Services include the processing of all FOIA requests involving more than one health agency and the PSC; processing all health agency and PSC administrative appeals for the signature of the Deputy Assistant Secretary for Public Affairs; working with the Office of the General Counsel (OGC) to respond to all health agency and PSC litigation filed under the FOIA; and providing Department-wide training and consultation on FOIA matters. The Division also provides Privacy Act and Records Management services to PSC.

**Regional Support** – The PSC provides a wide range of administrative support services to HHS staff in ten regional offices located in Boston, New York, Philadelphia, Atlanta, Chicago, Dallas, Kansas City, Denver, San Francisco and Seattle. In late FY2002, the PSC competitively sourced the provision of these services to a contractor to achieve efficiencies and ensure the best possible service levels. Transition to this new operating model was completed, and the contractor now provides services to the regions at a considerably lower cost than that of the federally staffed regional offices. Services offered include facility, space planning, personal property, telecommunications, mail, office automation, and miscellaneous administrative support services.

**Cooperative Administrative Support Unit (CASU) Lead Agency** – The PSC is the Lead Agency for the Mid-America CASU, in Kansas City, MO. The Mid-America CASU has over 15 years of experience of providing high quality services and products to its customers in a cost effective and customer oriented manner. The CASU's mission is to provide high quality support services to federal agencies at the best possible price by consolidating various customer requirements to reduce redundancies and achieve economies of scale. The Mid America CASU is governed by a Board of Directors, which consists of the local agency heads of agencies located in the Kansas City metropolitan area. Currently, the Mid America CASU provides the following services to over 100 customer organizations: mail management, contract staffing, copier services, copy paper, maintenance and repair, labor and moving, software training, office supply and forms distribution, procurement, interpreters for the hearing impaired, fitness center, transportation subsidy, and conference/training room scheduling.

**Personnel Security** – The PSC Personnel Security and Ethics Office provides personnel security services for PSC, ACF, AoA, SAMSHA, and OS. The office has been in a transitional phase from dealing only with employee and contractor background investigations to providing a full scope of personnel security services. The staff eliminated the inherited backlog of actions and has moved on to establishing processes to ensure smooth and timely processing of actions. Written procedures were established to ensure that customers knew how to request service and to manage expectations. An aggressive follow-up program was established to close out delinquent cases. Electronic fingerprinting equipment was procured to improve quality and timeliness. The services available have been expanded to include a la carte Special Agreement Checks and personnel security consultation in addition to processing background investigations.

**Business Services** – PSC Business Operations (PBO) is responsible for a variety of business management support functions for the PSC, including managing all phases of budget formulation, presentation, and execution; strategic and business planning; coordination of performance management and the Government Performance and Results Act (GPRA) processes; establishment and maintenance of Service Level Agreements (SLAs); maintenance of organizational structures and functional realignments. The PBO is also responsible for reengineering PSC products and services to identify opportunities for streamlining or restructuring, coordinating implementation of business process improvements, and managing continuous process improvement. PBO also maintains the PSC Revenue, Invoicing, and Cost Estimation System (PRICES), an automated cost management system with modules for costing & pricing, invoicing and management reporting, which provides timely, detailed web-based billing information to PSC customers on a monthly basis. This system is integrated to the CORE accounting system, allowing real-time visibility of Net Operating Result (NOR) information detailing actual revenue to actual costs.

**Child Care Coordination** – PSC/AOS provides leadership, direction and guidance for the Healthy Beginnings Child Development Center (HBCDC), which provides quality on-site child care for children of HHS employees working in or near the Parklawn Building in Rockville, MD. The office also coordinates the PSC employee child care subsidy program. These services ensure that HHS maintains a high quality child care center. Program oversight makes certain that there is an appropriate curriculum, adequate, well-trained staff, and efficient administration of the operation. The office also monitors the center's National Association for the Education of Young Children (NAEYC) accreditation and compliance with the Maryland Child Care Licensing Regulations.

### **AOS Performance Analysis**

FY 2004 was a productive year for the Administrative Operations Service. Several simple and complex business initiatives were initiated and completed in order to ensure efficient processes that demonstrated transparency and accountability were in place across the organization.

The PSC Business Office utilized the PRICES billing and cost management system as well as the CORE accounting system to match actual costs compared to actual revenues by cost center, customer, and period, thus providing managers with accurate and up-to-date information with which to address cost and/or demand issues as necessary (PSC FY 04 – 2.3) (PSC FY 04 – 3.3). The Business Office implemented standardized Service Level Agreements with a corresponding management function within that Office (HHS – 6. Consolidate Management Functions and Achieve Administrative Efficiencies). In addition, the Business Office initiated steps to improve the collection and use of customer data by making enhancements to the customer comment card program (PSC FY 04 – 2.1) (PSC FY 05, FY 06 – 1.2). Finally, the Business Office collaborated with the Office of Business Technology Optimization to define the framework for a Customer Relationship Management (CRM) system, which included developing a CRM vision, identifying existing customer contact structure, and verifying alignment of a CRM program with strategic and operational goals.

In the area of competitive sourcing, the PSC implemented a “Green Plan”, a strategic and long-range competitive sourcing plan designed to compete all of the OPDIV's commercial activities (PMA – Competitive Sourcing) (HHS – 4. Complete the FY 2005 Competitive Sourcing Program) (PSC FY 04 – 4.7).

AOS was also successful in developing a partnership with the National Institute of Health's Logistics Service Branch. The partnership creates a combined service to offer leased and daily use vehicle services to the customer base of both organizations at a cost that neither could afford individually (PSC FY 04 – 4.1).

These initiatives position AOS well for achieving its performance goals in FY 2005 and FY 2006. AOS will continue to manage the Performance Management program on behalf of PSC, which will include the collection of Key Performance Indicator (KPI) data, as well as refining approaches to analyze the data and implement action steps to address areas for improvement. This will include the ongoing management of several customer feedback initiatives, including the PSC comment card program. In addition, customer service training for all employees will continue to be offered and will also be included in individual performance plans. Overall customer satisfaction will continue to be an area of emphasis for PSC as a whole, and specifically within AOS (PSC FY 04 – 1.2).

AOS will also be implementing a PSC program to increase usage of services and promote a positive image for PSC. This will address the goal of increasing customer levels, as well as promoting the use of consolidated services HHS-wide (PSC FY 05, FY 06 – 2.1a, 2.1b).

In addition, AOS will continue to lead the implementation of the PSC Internal Communications Plan, promote employee rewards and recognition, and build employee satisfaction measures into executive and managerial performance plans. This will be supported by a program led by AOS to identify and address human capital strengths and areas for improvement (PSC FY 05, FY 06 – 2.7).

In the area of Building and Space Management, SAMSHA's new construction was completed. The consolidation will allow HHS to vacate one leased location, provide complete co-location for HRSA at Parklawn and afford another tenant, in support of a departmental initiative, the opportunity to backfill that space still under lease for a favorable rental rate and term.

The Division of Technical Support (DTS) Telecommunications staff successfully managed the extensive transition from the TIP contract to GSA's WITS 2001 contract for over 65,000 lines effective December 1, 2003. Specialists worked diligently with both customers and Verizon to ensure a smooth and orderly transition. The conversion to 10-digit dialing became final February 2004. Through increased efficiencies and implementation of best business practices, the Telecommunications Branch reduced their FY2004 overhead cost from \$9.27 to \$8.73 per-line per-month. This provided an annual savings for customers of over \$178,000.

DTS is also implementing the Management Information Tracking Technical Services (MITTS) as another means to improve the quality of service to our customers. MITTS can be utilized by the majority of the DTS cost centers and will electronically track orders from time of receipt to completion. This permanent record of order requests has numerous employee and customer-friendly features such as intelligent procurement and shipping forms, automated emails informing customers of order status throughout the process, future migration to E-Gov sites, electronic access from multiple locations, and the ability to accept and export data electronically from various related systems.

DTS' Printing and Postal Technologies Branch (PPTB) installed the Pitney Bowes *Arrival Courier Tracking System*. This system automates the tracking of PPTB couriers as they make their daily deliveries. This system utilizes a palm pilot to scan a unique barcode located at each mail stop

which electronically captures and stores the barcode identity and downloads at the end of each day providing a daily record of courier deliveries.

The Personnel Security Operations Office procured three Livescan digital fingerprinting devices. Two of the devices allow direct digital capture of fingerprints, and the third device digitizes paper fingerprints. The advantages are two-fold; the system software has artificial intelligence built-in that assesses the quality of the prints to ensure they will be classifiable, and the electronic transmission ensures that the FBI Criminal Records check results will be available within three workdays. Quality of submitted prints has been an issue that is virtually eliminated by digital prints. Since installation, 100% of submitted prints have been classifiable. In addition, information technology security procedures require that the FBI Criminal Records check be acceptable before access is given to a government database. The rapid turnaround has allowed critical-need contractors to have access to databases 30 – 45 days earlier than before to support critical enterprise systems such as UFMS.

### **Rationale for the Budget**

The FY 2006 expenses for the AOS are estimated at \$88,237,000, a net increase of \$186,000 from FY 2005 based on anticipated pay raises and other mandatory increases.

## **Federal Occupational Health Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$167,660,000	\$169,502,000	\$175,098,000
FTE	93	93	93

FY 2006 Authorization.....Indefinite

### **Statement of Budget**

The estimated FY 2006 budget for FOHS is \$175,098,000, to provide Federal occupational health services as described below.

### **Program Description**

The Federal Occupational Health Service (FOHS) provides comprehensive, high-quality, customer-focused occupational health services in strategic partnership with federal agencies and organizations nation-wide to improve the health, safety, and productivity of the federal workforce. Services include health and wellness programs, employee assistance, work/life, and environmental health and safety services.

Currently, FOH provides occupational health services via three Divisions which include Clinical Services - provides a variety of clinical services to 326 different government entities; Employee Assistance Program Services Division - provides behavioral health services to 174 different entities; and the Environmental Health Services Division - provides environmental health and industrial hygiene services to 88 different government entities, serving in total over 1.5 million federal employees.

FOH provides services in cities and towns all across the country including some of the most remote corners of the United States. The support and services FOH provides enables agencies to promote health, wellness, physical fitness, and productive, safe work environments for their employees, as well as maintain compliance with OSHA and other federally mandated standards.

Broadly speaking, services include program design, service provider selection, program management, and consultations to agency management, provision of services, and program oversight and evaluation.

### **Clinical Services**

FOH provides occupational health clinical services to employees and consultations to management under two different types of interagency agreements. FOH offers a basic package of standardized services for walk-in care, emergency response and preventive screenings at permanent Occupational Health Centers. In addition, FOH offers specialized or customized clinical interventions that help agency managers meet their specific occupational health responsibilities arising out of legislative and regulatory requirements or agency initiatives.

Basic Occupational Health Center Services (BOHCS) include but are not limited to:

- On-site clinical care, referrals and follow-up.
- First aid and emergency response.
- Routine immunizations for flu, tetanus and pneumonia.
- Services prescribed by a personal physician such as bed rest, blood pressure and glucose monitoring, and allergen or hormone injections.
- Health and wellness education programs - group sessions and individual education on topics such as smoking cessation, nutrition, and stress reduction.
- Online health promotion information including Health Risk Appraisals.
- Confidential maintenance of employees' occupational health records in accordance with the Privacy Act.

Specialized clinical services include but are not limited to:

- Medical surveillance services for the assessment of exposure of groups of employees to health hazards such as toxic substances, noise, lead and asbestos.
- Database management of individual and aggregate test results.
- Medical clearance examinations including pre-placement and periodic fitness-for-duty examinations, including those associated with protective equipment, such as respirator use.
- Consultations with management on occupational health issues, program development and assessment.
- Medical opinions on reasonable accommodations requests filed under the Americans with Disabilities Act and Family and Medical Leave Act.
- Injury prevention and disability management services.
- Education and training on various topics including general health and wellness, Tuberculosis, Bloodborne Pathogens, and hearing conservation.
- Detection programs for illicit drug use.
- Wellness/fitness program development, Fitness Center design, staffing, management, and individual fitness assessments.
- Other preventive health services such as preventive health evaluations, individual and corporate health-risk appraisals.
- Development, implementation and management of on-site Automated External Defibrillator Programs including requisite training, physician oversight and quality assurance.
- Self-directed or group smoking cessation programs with availability of nicotine replacement therapy (nicotine gum and patches).
- Federal Law Enforcement Medical Programs consisting of:
  - Development of medical standards based on agency-specific job task analyses unique to law enforcement officers.
  - Pre-placement and periodic medical examinations.
  - Medical review of medical examinations to determine whether applicants or incumbents satisfy the functional requirements of their positions.
  - Fitness-for-duty medical evaluations.
  - Expert witness testimony.
  - Medical consultations on worker's compensation, return-to-work, and reasonable accommodation issues.
  - Medical information/data management and trend analysis for law enforcement agencies.

## **Environmental Health (EH)**

FOH offers a wide range of environmental health, safety, laboratory, and industrial hygiene services. FOH provides project design, evaluation, management, oversight services as well as project labor for a wide range of services including but not limited to:

- Industrial hygiene surveys and studies involving chemical, physical or biological exposures (indoor air quality, water quality, asbestos, lead and other heavy metals, noise, radiation, confined spaces, pesticides, ergonomics).
  - Environmental Surveys
  - National Environmental Protection Act assessments
  - Site investigations
  - Lead and asbestos inspections/assessments
  - Hazardous materials evaluations
  - Specialized facility assessments for compliance with federal/state/local laws and regulations.
- Worksite safety and health evaluations for worker and visitor protection and for Occupational Safety and Health Administration regulatory compliance, workers compensation issues and incident investigations.
- Indoor air quality studies and solutions.
- Building microbial and mold assessments, evaluations, quality laboratory analyses and control.
- Training in:
  - Bloodborne Pathogen exposure protection
  - Hazard communication/materials
  - HIV/AIDS
  - Laboratory standards
  - Safety engineering
  - Ventilation
  - Asbestos
  - Lead
  - Respiratory protection
  - Personal protective equipment.
- Workplace and worker ergonomic assessments, evaluations, control and accommodation.
- Consultations on safe worksite planning, hazard surveillance/analysis, risk assessment, hazard control, and workers compensation issues.
- Occupational health and safety program management – planning, development, implementation, evaluation, and operational assistance.
- Research and field evaluations related to environmental issues and conditions, sampling techniques and instrumentation for gases, particulate mists, vapors, etc.
- Industrial hygiene and environmental laboratory analysis and services.

## **Employee Assistance Programs**

Like its Clinical counterpart, FOH's EAP program offers services under "consortium" program as well as providing unique or specialized EAP services to individual client agencies such as the U.S. Postal Service.

The Consortium EAP services include but are not limited to:

- Clinical assessment of employee emotional, substance abuse, or situational problems that may interfere with job performance.
- 24 hour a day/ 7 day a week telephone access to professional consultation for managers and clients.
- Short-term problem resolution in 3, 4 or 6-session models.
- Referral to community resources when longer-term treatment is necessary.
- Crisis counseling - 24 hours a day.
- Critical incident stress management and intervention.
- Supervisory training, employee orientation and union briefings.
- Health and wellness promotion and training.
- Consultations with supervisors regarding employee services and behavioral health issues which may be affecting workplace productivity.
- Work/Life Services.
- Web-based self-screenings, personal plan development, information about a wide range of topics, and links to government and other reputable websites.
- International services for federal employees overseas.
- Legal and financial services, including identity theft services and protection.

Employees are more likely to be helped early after problem onset, when confrontation and resolution occurs in the job setting, and when the source of help is easy to access. This reduces the cost of treatment (including federal benefits costs) and returns the employee to a more productive status sooner, thus minimizing productivity losses.

Critical incident stress management and interventions benefit groups of otherwise well employees who have just suffered trauma on the job. It helps them understand normal reactions to abnormal situations and offers individual personal assistance when necessary.

Specialized Services include:

- A full range of Work/Life resource and referral services, including child and elder care resources, education, relocation, career and retirement planning, legal and financial counseling -- to help employees better manage their work and personal lives.
- Management consultation, work environment assessment, recommendations to resolve organizational problems, training, team building, and other organizational interventions to help employees function effectively as a work group.
- Consultation on violence in the workplace to help agencies develop effective policies and train employees to implement proper procedures.
- Alternative Dispute Resolution Services also help agencies develop effective policies and provide qualified neutrals to facilitate resolution of issues through mediation and other means.
- Drug Free Workplace and Department of Transportation substance abuse assessment, consultation, monitoring, and follow-up.
- Consultation and training regarding preparation for terrorist acts.



## **FOH Performance Analysis**

In FY04, FOH was able to create a stronger focus on strategic business objectives and end outcomes, as well as ensuring that proper controls are in place. FOH's Executive Director and Chief of Operations conducted training for all employees to reinforce PSC's goals, vision and values. From a customer perspective, FOH management and agreement managers continued to emphasize the need for and value of one-stop-shopping for all PSC products and services. In addition, customer service and cross-selling are expectations for all FOH employees at all levels. To ensure that customer satisfaction levels are sustained and increased, FOH measured point of service satisfaction, as well as utilized PSC customer feedback mechanisms. The positive results of FOH's efforts to improve the overall quality of its business practices can also be measured in improvements in customer satisfaction ratings and substantial increases in revenues. FOH measures customer satisfaction on an on-going basis, through a number of processes. FOH measures satisfaction with services and service providers both from the perspective of the end-user, e.g. federal employees receiving services, as well as from the federal managers purchasing the services. The results of these surveys are analyzed and indications of poor performance or dissatisfaction are followed-up with phone calls or visits by senior FOH staff. Individual or specific problems are resolved with the customer as soon as possible and systemic problems are forwarded to the appropriate senior staff for further analysis. Goals and objectives are then established to work toward changing or improving operations to resolve the problem (PSC FY 04 – 1.3) (PSC FY 05, FY 06 – 1.2).

Moving forward, FOH will continue to enhance its business processes. One such method is the implementation of systems to accurately track and provide corrective action to insure timeliness targets are met on a consistent basis. In addition, processes to identify negative customer feedback and put corrective actions in place will be paramount. This will enable FOH to continue to meet its growth goals and expectations. In FY04, FOH's customer base grew by 11% and forecasts indicate that in FY05 and FY06, this rate of growth will continue.

FOH's vision is to be the comprehensive occupational health service provider for each of its customers, delivering a spectrum of environmental, wellness, fitness, health care and behavioral health services and has seen growth in its customer base. FOH is moving closer to achieving this vision as it is increasing both the number and kinds of services it delivers to its federal customers. Federal managers are asking FOH to deliver an ever-broadening variety of occupational health services to their employees. For example, FOH provides an extensive array of services, spanning the entire scope of its programs, to the Environmental Protection Agency (EPA), the Department of the Interior (DOI), the Department of Homeland Security (DHS) and to many of the operating Divisions within HHS. FOH recently signed new agreements with NASA's D.C.-based Headquarters and the Goddard Space Flight Center for clinical, EAP, wellness/fitness, and environmental health services (PSC FY 05, FY 06 – 2.1a).

Just as it responded quickly to the threat of future domestic terrorist attacks and to the military's wartime needs, FOH continues to look for ways to better serve its customers. Examples of new or improved services FOH added in FY2003 and 2004, that added value while not adding costs, are the addition of an on-line version of its Health Risk Appraisal to FOH's Basic Occupational Health Services, an on-line medical surveillance data tracking system, educational resources supporting the Healthier US Presidential Initiative and the replacement of a distributed EAP data management system with a more cost-effective and efficient centralized system.

Other significant accomplishments FOH made in FY 2004 include the development and implementation of FOH's Alternative Dispute Resolution Program for federal entities outside of HHS. This service provides both consultation services to supervisors looking for alternatives to resolving workplace disputes as well as mediation services. Also, FOH's Automated External Defibrillator (AED) Program has grown significantly over the past year as agencies have recognized the value of this life-saving program. In addition to the aforementioned AED Program for the IRS, FOH is designing and implementing AED Programs for, among others:

- Thirty-five buildings managed by the Architect of the Capitol
- Robins Air Force Base in Georgia, covering more than 11,000 civilians
- Program Support Center
- General Services Administration
- U.S. Army Corps of Engineers

Finally, FOH initiated an organizational-wide program to re-evaluate its entire structure and business practices to identify changes that needed to be made to position FOH for the future. The project is designed to ensure alignment with its customers, appropriate allocation of resources and alignment of skill sets to business needs.

### **Rationale for the Budget**

FOH provides occupational health consultation and services to other federal agencies through agreements. FY 2006 expenses for FOH are estimated at \$175,098,000, a net increase of \$5,596,000 from FY 2005 due to anticipated new business as well as other mandatory increases.

## **Strategic Acquisition Service**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$103,591,000	\$116,255,000	\$116,589,000
FTE	71	145	145

FY 2006 Authorization.....Indefinite

### **Statement of Budget**

The estimated FY 2006 budget for SAS is \$116,589,000, to provide strategic acquisition services as described below.

### **Program Description**

The Strategic Acquisition Service (SAS) is responsible for providing leadership, policy, guidance and supervision to the procurement operations of the PSC and improving procurement operations within HHS. SAS is comprised of three Divisions. Division of Strategic Sourcing investigates innovative government and industry procurement practices and brings these innovations into strategic planning, design and implementation. The Division of Acquisition Management provides direct acquisition services to HHS and other federal and non-federal customers. The final Division, the Supply Service Center supports HHS health facilities and other organizations worldwide by providing pharmaceutical, medical and dental supplies to federal agencies and other related customers. The Strategic Acquisition Service is part of the PSC's effort to accomplish part of the Secretary's "One Department" initiative by consolidating procurement operations in HHS through activities such as the elimination of duplicative contracts within HHS, by leveraging HHS' purchasing power through the use of consolidated contracts, and by fostering the implementation of new procurement practices designed to provide higher quality procurement services at reduced cost.

### **Strategic Sourcing Division**

The Strategic Sourcing Division (SSD) is responsible for Department-wide initiatives to consolidate purchasing of expendable commodities, including conducting spend analysis to support acquisition decisions, implementing change management processes to empower the acquisition community, and investigating and implementing innovative government and industry procurement practices within the HHS acquisition environment.

### **Acquisition Management Division**

The Division of Acquisition Management (DAM) solicits, negotiates, awards and administers simplified acquisitions and complex contracts in such areas as health care and support services, evaluation design studies and analyses, conference management, technical assistance, information technology, professional services, labor services, computer/office machine repairs, real property

leasing, renovations, and commercial products and commodities. These services are provided to HHS components nationwide, as well as to customers outside the Department. Highly trained, experienced, and specialized staff provide a wide array of acquisition and cost advisory services utilizing state-of-the-art technology.

### **Supply Service Center**

PSC operates a full service medical supply depot located in Perry Point, Maryland. The HHS Supply Service Center (SSC) is a national and international source of pharmaceutical, medical, and dental supplies for the healthcare facilities for HHS and other Federal civilian agencies.

SSC provides a full-service supply, warehouse, and distribution center for pharmaceutical, medical, hospital supplies, and special program needs. SSC offers logistical support worldwide, in concert with technical assistance and material management, to service the customer's requirements. Special services are offered from SSC's FDA licensed Pharmacy Repackaging operation. Provides over 200 unit-of-use pharmaceutical prepacks of solid, oral dosage forms to a variety of Federal customers. These products are convenient, prescription-size, patient-ready units labeled for direct distribution to patients by health care providers. All packaging is accomplished using state-of-the-art equipment, and experienced personnel supervise all facets of the packaging. SSC follows standard industry and FDA-approved methods for receiving, sampling, testing, accepting, and repackaging all supplies.

SSC offers a comprehensive program, sponsored by the National Institutes of Health (NIH), for clinical drug trials. Technical assistance, inventory management, and logistical support to meet the packaging and distribution requirements of clinical drug trials are provided. All services are in cooperation and sponsorship with NIH and other Federal Government Agencies. Agreements with prospective research programs are executed in order to participate as the Drug Distribution Center (DDC).

SSC provides medical supply support for Presidential Initiatives, Foreign Assistance, Emergency Disaster Relief, and Department of Defense Programs. SSC also procures pharmaceutical and medical products, equipment and related supplies, and assembles into kits for the support of the Disaster Response or Special Project Teams.

### **SAS Performance Analysis**

As part of the Secretary's 10 Management Objectives, one of which is to eliminate duplication of administrative services, SAS conducted a Strategic Sourcing "Center of Excellence" pilot for the consolidated purchase of office supplies to leverage the purchasing power of HHS and reduce purchase costs associated with office supplies. The pilot achieved average savings of 15% and enhanced process efficiencies through the use of customized vendor ordering websites. Based on the success of the pilot, HHS is currently developing long-term contracts focusing on six commodity categories with an estimated \$100 million in annual spend – Custodial Products, Document Management, IT Peripherals Hardware, Office Equipment, Office Furniture, and Office Supplies. SSC expects to achieve potential cost avoidance of 7 - 54%, depending on the category. Furthermore, they have increased small business participation in the strategic sourcing program with the inclusion of the Office Furniture category as a small business set-aside and the IT Peripherals Hardware and Custodial Products contracts awarded to small businesses (HHS – 9. Achieve Efficiencies Through HHS-wide Procurements).

Another goal that the Administration established was to award 20 percent of eligible service acquisition dollars as Performance-Based Services Acquisitions. The PSC has maintained an aggressive approach as one of the Department's leading advocates for performance-based contracting by scrutinizing all service contract requests for the potential of conversion consistent with the Federal Acquisition Regulations. The PSC has exceeded the Administration's goal of awarding eligible service acquisition dollars as performance-based by awarding 100% of all eligible contracts as performance based (PSC FY 04 – 1.5).

Acquisition Management is focused on several areas to drive performance improvements and align with the Secretary's overall HHS "One Department" goals. In the area of innovation and quality assurance, the Division manages 51 streamlined performance-based contract vehicles providing program and policy assessment, evaluation design studies, and technical assistance for our customers. Seven performance-based contracts have been established with small businesses to provide streamlined conference management and logistical support (HHS – 9. Achieve Efficiencies Through HHS-wide Procurements).

Acquisition Management continues to advance its automated procurement application, PRISM, by bringing more customers on board with on-line requisitioning, maintaining interfaces with its financial and property customers, and improving data/workload management through automated reporting.

In FY 2004 the Supply Service Center (SSC) provided the very best in customer service in terms of productivity, quality, and responsiveness at the most reasonable cost. SSC continues to increase its number of customers and projects as well as renewing its partnerships from prior years. SSC was also successful in winning the Competitive Sourcing Streamlined Cost Comparison study that was conducted on 20 FTE's in the Warehouse Operation. As a result of the study, it was shown that the Supply Center was the Most Efficient Operation (MEO) when compared to similar work groups (PMA – Competitive Sourcing) (HHS – 4. Complete the FY 2005 Competitive Sourcing Program) (PSC FY 04 – 4.7).

One of the major accomplishments for SSC was providing medical supply support to our Nation's soldiers during a critical period of our nation's history, combating terrorism and supporting the war effort. This support was provided through Memorandum of Understandings with the US Army Medical Materiel Agency (USAMMA) and the Naval Medical Logistics Command (NAVMEDLOGCOM) in Fort Detrick, MD and the Naval Fleet Hospital Support Office in Williamsburg, VA. The specific projects were the Army's Combat Support Hospital Program, the Army Surgeon General's Medical Nuclear, Biological and Chemical Defense Materiel and their Medical Assemblage Program. Specifically, assemblies built and shipped to stateside and overseas locations required to support military units during contingency operations were as follows: four Combat Support Hospitals, eight Forward Surgical Teams, four Dental Support Companies, three Veterinary Units, one Field Hospital, and Sustainment supplies. Also, the Pharmacy operation repackaged over 15,000,000 tablets of Doxycycline and 2,404,410 tablets of Ciprofloxacin for the Army.

SSC also procured the pharmaceutical and medical supplies needed to build the revised Fleet Hospitals that contain four stand alone Modules for NAVMEDLOGCOM and the Fleet Hospital Program.

SSC customers in the State Department, Peace Corps, DHS's Office of Emergency Response, Metropolitan Medical Response Systems, and Office Of Foreign Disaster Assistance were also supported with customized medical, dental and diagnostic kits as well as pharmaceutical and medical supplies that are being pre-positioned in the event of a chemical or biological Weapons of Mass destruction event.

SSC continued our partnership with the VA to support the VA's health care facilities and the Consolidated Mail Out Pharmacies (CMOP) with unit of use pharmaceutical prepacks. Our participation in the VA Prime Vendor contract that provides access to all the national pharmaceutical contracts was renewed. In FY2004 the rebate received was increased from 3.13 % to 4.75% for all pharmaceutical purchases through the Prime Vendor.

SSC also continues to provide a comprehensive repackaging program for NIH and CDC sponsored clinical drug trials. Technical assistance, inventory management, and logistical support were provided to meet the packaging and distribution requirements of six clinical drug trials. In FY2004 the Center entered into three new Interagency Agreements with respective research programs as the Drug Distribution Center. NIH and CDC sponsored trials are the following: Italian American Clinical Trial on Cataracts (NEI), Pediatric Hydroxyurea Phase III Clinical Trial for Sickle Cell Anemia, (BABY HUG) (NHLBI), Hepatitis C Clinical Trial for Thalessemia, (NHLBI), Arginine Supplementation in Sickle Cell Anemia Trial, (NHLBI), Combirix Phase III Clinical Trial for Multiple Sclerosis (NINDS) and Botusa TB Project (CDC).

### **Rationale for the Budget**

The FY 2006 expenses for SAS are estimated at \$116,589,000, a net increase of \$334,000 from FY 2005 due to anticipated new business as well as other mandatory increases.

## **Human Resources Centers**

Authorizing Legislation - 42 USC 231

	<b><u>FY 2004</u></b>	<b><u>FY2005</u></b>	<b><u>FY2006</u></b>
Expenses	\$42,977,000	\$43,873,000	\$44,167,000
FTE	245	416	416

FY 2006 Authorization . . . . . Indefinite

## **Statement of Budget**

The estimated FY 2006 budget for HRC is \$44,167,000, to provide human resource center services as described below.

## **Program Description**

HHS has embarked on an aggressive program implementing the President's Management Agenda, and in particular has worked diligently to attain the HHS goals in the area of Human Capital Investment. A major foundation of this effort has been the consolidation of personnel offices, reducing the total number of HR service centers from 40 to 4. The consolidation has been based upon a comprehensive service delivery model. In developing this model, HHS analyzed all common functions, determined optimal servicing ratios and staffing levels, and identified automated tools that would provide a high standard for productivity. The HR Centers have also established performance measures and metrics to ensure delivery of consistently high quality customer service.

The Centers are located in Baltimore, Rockville, and Atlanta, and are no longer organized under specific Operating Divisions. A fourth site located in Bethesda services the NIH. All sites report to the Department's Office of Human Resources, and uniform organization designs have been implemented that guide each site to standardized grade structures, automated tools, and business processes. Productivity as measured by servicing ratios (number of employees serviced by each HR employee) is increasing across the Department. When the consolidated HR Centers were opened in FY 2004 the ratio was 1:75, and all are on target toward achieving a ratio of 1:82 by the beginning of FY 2005. Automated hiring, job classification, and employee records management tools have been deployed that are enabling the Centers to operate at these more efficient ratios.

The HR Centers operate on a fee-for-service basis. First year the Department is anticipating savings, achieved primarily through increased efficiency as reflected in the improved service ratios. Service Level Agreements will be established between HR Centers and customers that ensure alignment of customer expectations and service delivery. In cooperation with their customers, the Centers have implemented human capital strategies that identify, recruit, hire and retain employees with the skill mix necessary to accomplish OPDIV missions.

## **HRC Performance Analysis**

In FY04, HHS consolidated its 40 Human Resources (HR) offices. As part of the consolidation the Department planned to develop a consistent internal process for tracking HR workflow. It was

determined that a single Department-wide system to provide HR metrics would be beneficial for monitoring and tracking HR performance. Representatives from the HR Centers worked with the PSC Office of Business Technology Optimization and determined that a workflow system should be custom built based on NIH's Workflow Information Tracking System (WiTS). The system will work in tandem with other HR systems implementations to maximize needed IT investments. An initial pilot of the system is planned for the fourth quarter of FY 2005, with the Rockville HR Center being the pilot location. Following a successful pilot rollout, the system will be deployed Department-wide (HHS – 2. Implement Strategic Human Capital Management).

The HR Centers have also focused on measuring customer satisfaction and tracking opportunities for improvement based on customer feedback. In FY 04, the HR Centers ensured that requests for customer comments and input have been implemented consistently across all centers (PSC FY 04 – 2.1) (PSC FY 05, FY 06 – 1.2).

HHS is reshaping the workforce to fill skill gaps and phase out redundant non-mission-critical positions. OPM has given HHS the authority to use “buyouts” to help achieve administrative consolidations and successful competitive sourcing outcomes. Recent activity included approval of VSIP for Administration for Children and Families, submission of request for VSIP for Office for Civil Rights, and completion of a Voluntary Separation Incentive Pay (VSIP) plan for CDC.

In June 2004, HHS completed a broad-based analysis of the workforce to identify future recruitment needs, workforce trends and related issues. The HR Centers are using the results of this workforce analysis to determine next steps for recruitment and retention. Next steps include development and submission of a Human Capital Strategy at the OPDIV-level.

In addition, the Office of Human Resources and the Human Resources Centers are managing 4 Department-wide recruitment events to fill a wide variety of positions including 100 medical officer, nurse and pharmacist positions in FY 05 (PMA – Strategic Management of Human Capital) (HHS – 2. Implement Strategic Human Capital Management).

The HR Centers put forth significant effort to position HHS to meet requirements in the President's Management Agenda around strategic management of human capital. HHS advanced from a “yellow” rating to a “green” rating on the September 30, 2004 PMA scorecard. To accomplish this, in FY 2004, the HR Centers implemented several technologies to support their customer base. Two such technologies are strategic automation tools – HHS Careers and the HR Strategic Management System (SMS). The former is a web-based vacancy announcement and application tool which allows the HR Centers to reduce cost per vacancy, improve efficiencies and meet recruitment and staffing service level agreements. In FY 2005, the HR Centers will be working to further develop and refine HHS Careers expanding its coverage to more unique positions (PMA – Strategic Management of Human Capital) (HHS – 2. Implement Strategic Human Capital Management).

Finally, the HR Centers have been focused on addressing a government-wide risk. About 75% of the Department's senior executives will be eligible to retire over the next 5 years. To meet the challenge of filling the vacancies from SES retirements, the Office of Human Resources established a career SES candidate development program. A second class of 26 participants was selected in May 2004 who have now created their development plans.



Looking ahead, the HR Centers are participating in the Governments' Line of Business initiative by submitting a proposal to become a government-wide HR service provider in the second quarter of FY 2005.

### **Rationale for the Budget**

The FY 2006 expenses for the HR Centers are estimated at \$44,167,000, a net increase of \$294,000 from FY 2005. This net increase is the result of other mandatory increases, a rent increase for the Baltimore center, and IT support costs for the Atlanta and Baltimore centers.

**Detail of Full-Time Equivalent Employment (FTE)****DEPARTMENT OF HEALTH AND HUMAN SERVICES  
PROGRAM SUPPORT CENTER****Detail of Full-Time Equivalent Employment (FTE)**

	2004 Actual	2005 Estimate	2006 Estimate
Human Resources Service.....	242	215	215
Financial Management Service.....	211	251	251
Administrative Operations Service.....	226	221	221
Federal Occupational Health.....	93	93	93
Strategic Acquisition Service.....	71	145	145
Human Resource Centers.....	245	416	416
Office of the Director.....	31	38	38
Total, FTEs.....	1,119	1,379	1,379

**Average GS Grade**

2004.....	10.71
2005.....	10.90
2006.....	11.09

## Detail of Positions

### DEPARTMENT OF HEALTH AND HUMAN SERVICES PROGRAM SUPPORT CENTER Detail of Positions

	2004 Actual	2005 Estimate	2006 Estimate
Executive level I	1	1	1
Executive level II	4	4	4
Executive level III	4	4	4
Executive level IV	1	1	1
Executive level V	0	0	0
Subtotal.....	10	10	10
Total - ES Salary.....	\$1,170,920	\$1,500,710	\$1,542,760
GS-15.....	59	62	62
GS-14.....	137	173	173
GS-13.....	244	307	307
GS-12.....	195	246	246
GS-11.....	96	121	121
GS-10.....	1	1	1
GS-09.....	78	98	121
GS-08.....	48	60	60
GS-07.....	76	96	96
GS-06.....	40	62	62
GS-05.....	20	26	26
GS-04.....	14	18	18
GS-03.....	4	5	5
GS-02.....	0	0	0
GS-01.....	0	0	0
Subtotal.....	1,012	1,275	1,298
Total - GS Salary.....	\$72,106,012	\$93,383,550	\$95,998,782
CO-07.....	0	0	0
CO-06.....	17	17	17
CO-05.....	23	23	23
CO-04.....	13	13	13
CO-03.....	5	4	4
CO-02.....	4	2	2
CO-01.....	0	0	0
Subtotal.....	62	59	59
Total - CO Salary.....	\$4,075,012	\$4,179,973	\$4,304,994
Wage Graded			
07.....	1	1	1
06.....	12	12	12
05.....	5	5	5
04.....	17	17	17
03.....	0	0	0
02.....	0	0	0
Subtotal	35	35	35
Total - WG Salary.....	\$1,510,845	\$1,936,410	\$1,990,625
Total FTE usage, end of year.....	1,119	1,379	1,402
Average ES level.....			2.90
Average ES salary.....			\$154,276
Average GS level.....			11.09
Average GS salary.....			\$73,959
Average Commissioned Officer grade.....			3.39
Average Commissioned Officer salary.....			\$72,966
Average Wage Graded grade.....			4.91
Average Wage Graded salary.....			\$56,875


## **Budget and Performance Crosswalk**

Budget and Performance Crosswalk  
Program Support Center  
(\$ in Thousand)


Performance Program Area (PPA)	Budget Activity	FY 2004	FY 2005	FY 2006
Administrative Operations Service	Customer Service	40,500	-	-
	Financial Resource Management	22,404		
	Business Strategy and Innovation	23,266		
	Employee Management Development	-		
	Improve Quality		30,818	30,883
	Improve Costs Savings to HHS		57,233	57,354
	SubTotal	\$ 86,170	\$ 88,051	\$ 88,237
Financial Management Service	Customer Service	27,449		
	Financial Resource Management	26,900		
	Business Strategy and Innovation	549		
	Employee Management Development			
	Improve Quality		19,876	19,822
	Improve Costs Savings to HHS		36,912	36,813
	SubTotal	\$ 54,898	\$ 56,788	\$ 56,635
Federal Occupational Health	Customer Service	149,201		
	Financial Resource Management	16,781		
	Business Strategy and Innovation	1,678		
	Employee Management Development			
	Improve Quality		59,326	61,284
	Improve Costs Savings to HHS		110,176	113,814
	SubTotal	\$ 167,660	\$ 169,502	\$ 175,098
Human Resources Service	Customer Service	14,506		
	Financial Resource Management	5,180		
	Business Strategy and Innovation	13,469		
	Employee Management Development	18,649		
	Improve Quality		21,397	21,514
	Improve Costs Savings to HHS		39,736	39,954
	SubTotal	\$ 51,804	\$ 61,133	\$ 61,467
Strategic Acquisition Service	Customer Service	82,873		
	Financial Resource Management	10,359		
	Business Strategy and Innovation	10,359		
	Employee Management Development			
	Improve Quality		40,689	40,806
	Improve Costs Savings to HHS		75,565	75,783
	SubTotal	\$ 103,591	\$ 116,254	\$ 116,589
Human Resources Centers	Improve Quality		15,356	15,458
	Improve Costs Savings to HHS		28,518	28,710
	SubTotal	\$ -	\$ 43,873	\$ 44,167
Program Total		\$ 464,123	\$ 535,602	\$ 542,193


## **Detail of Performance Analysis**

The reference column in the following performance tables indicates which goals are Presidential Management Agenda goals, “One HHS” Department-wide Management Objectives, and the efficiency measure. Below is a reference guide to support the linkages between the PSC performance goals and these Government-wide and Departmental goals.

<i>Symbol</i>	<i>Reference</i>
	President’s Management Agenda
<b>2</b>	HHS Goal - Implement Strategic Human Capital Management
<b>4</b>	HHS Goal – Complete the FY 2004 Competitive Sourcing Program
<b>6</b>	HHS Goal – Consolidate Management Functions and Achieve Administrative Efficiencies
<b>E</b>	Efficiency Measure

- I. Customer Service** – Continue to develop and manage quality programs, activities, and functions of the PSC at reasonable costs in support of HHS missions, legislative mandates and policy directives. Objective 1 Full Cost Budget for FY 2004 \$242,187,330. Objective 2 Full Cost Budget for FY 2004 \$72,341,670.

<b>Customer Service</b>			
Performance Goals	Targets	Actual Performance	Reference
<b>Strategic Management Objective 1 – Improve PSC Services While Controlling Costs</b>			
1.1. Provide management reports that provide relevant and accurate cost, revenue, and Net Operating Result (NOR) information to managers by organization, service, customer, and time period  [Outcome]	<b>FY 04:</b> Provide accurate management reports for 100% of the PSC services  <b>FY 03:</b> Provide accurate management reports covering at least 75% of the PSC services	<b>FY 04:</b> 100% (Met)  <b>FY 03:</b> 100% (Met)	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops)</b> <b>(FY 2004: 20%)</b>			

Customer Service			
Performance Goals	Targets	Actual Performance	Reference
1.2. Implement Change Management techniques across PSC to align behaviors with strategy  [Outcome]	<b>FY 04:</b> Train 100% of employees in strategic goals, vision, and values  <b>FY 03:</b> Work with executive team and mid-level managers to align their perspectives with the strategic goals, vision and values	<b>FY 04:</b> 100% (Met)  <b>FY 03:</b> Met (See narrative)	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops)</b> <b>(FY 2004: 2%)</b>			
1.3. Develop a Customer Relations Management Program -- Implement one stop shop approach, centralize agreements, sponsor focus groups and customer visits  [Outcome]	<b>FY 04:</b> 100% implemented  <b>FY 03:</b> 50% implemented	<b>FY 04:</b> 100% (Met)  <b>FY 03:</b> 75% (Met)	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops)</b> <b>(FY 2004: 4%)</b>			
1.5. Increase use of performance-based contracts; Award at least 20% of new eligible PSC service contracts over \$100K as performance based	<b>FY 04:</b> Increase over FY 03  <b>FY 03:</b> Increase over FY 02  <b>FY 02:</b> Increase over FY 01	<b>FY 04:</b> 100% (Met)  <b>FY 03:</b> 82% (Met)  <b>FY 02:</b> 50% (Met)  <b>FY 01:</b> 33%	
<b>Total Program Funding: AOS</b> <b>(FY 2004: 26%)</b>			

Customer Service			
Performance Goals	Targets	Actual Performance	Reference
1.10. Employee Assistance Program: Provide employee assistance services	<b>FY 04:</b> 1.40M	<b>FY 04:</b> 1.51M (Met)	
	<b>FY 03:</b> 1.30M	<b>FY 03:</b> 1.38M (Met)	
	<b>FY 02:</b> 1.30M	<b>FY 02:</b> 1.30M (Met)	
	<b>FY 01:</b> 1.18M	<b>FY 01:</b> 1.20M (Met)	
		<b>FY 00:</b> 1.18M	
		<b>FY 99:</b> 1.17M	
		<b>FY 98:</b> 1.19M	
<b>Total Program Funding: FOH</b> <b>(FY 2004: 43%)</b>			
1.15. Refer eligible Health Professions debt to the Office of the Inspector General for exclusion from participation in Medicare	<b>FY 04:</b> 95%	<b>FY 04:</b> 100% (Met)	
	<b>FY 03:</b> 95%	<b>FY 03:</b> 100% (Met)	
		<b>FY 02:</b> 100% (Baseline)	
<b>Total Program Funding: FMS</b> <b>(FY 2004: 5%)</b>			
1.16 Goal dropped in FY 04			

Customer Service			
Performance Goals	Targets	Actual Performance	Reference
<b>Strategic Management Objective 2 – Maximize Opportunities to Improve Customer Satisfaction Levels.</b>			
2.1. Distribute PSC comment cards and evaluate monthly and conduct a PSC-wide customer satisfaction survey annually	<p><b>FY 04:</b> Increase results of each survey by 2% (Restated – Distribute PSC comment cards and evaluate monthly and conduct an annual PSC key stakeholders customer satisfaction survey)</p> <p><b>FY 03:</b> Increase to 85%</p> <p><b>FY 02:</b> Increase of 5% over FY 01 (81.9%)</p>	<p><b>FY 04:</b> Not Met (See narrative)</p> <p><b>FY 03:</b> Not Met (See narrative)</p> <p><b>FY 02:</b> 72% responded from satisfactory to excellent (Not Met) (comment cards = 86% very satisfied – FY 02 Baseline)</p> <p><b>FY 01:</b> 78% responded good or excellent</p>	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops) (FY 2004: 66%)</b>			
2.2. Goal dropped in FY 04			
2.3. Provide customers with on-line invoicing and on-line viewing of bills that provide customers with an accurate, clear, and concise detailing of service provided, with drill-down capability  [Outcome]	<p><b>FY 04:</b> Provide 100% of customers with on-line viewing and billing capability</p> <p><b>FY 03:</b> Provide 75% of customers with on-line viewing and billing capability</p>	<p><b>FY 04:</b> 100% (Met)</p> <p><b>FY 03:</b> 100% (Met)</p>	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops) (FY 2004: 34%)</b>			
2.4. Goal dropped in FY04			



## **Detail of Performance Analysis**

### **Strategic Management Objective 1 – Improve PSC Services While Controlling Costs**

- 1.1. *Provide management reports that provide relevant and accurate cost, revenue, and Net Operating Result (NOR) information to managers by organization, service, customer, and time period*

Reports will be generated from the new PSC billing system and will replace manually produced reports.

**FY 04 Target:** Provide accurate management reports for 100% of the PSC services. Goal met. 100% of PSC services have been established in the PSC Revenue, Invoicing and Cost Estimation System (PRICES). Managers are using the management reports on a monthly basis to determine their Net Operating Result (NOR) and establish historical trends, monitor production units and to manage their financial planning to actual cost data. These reports are also available to Department-level financial personnel for total cost management review of the PSC. The System is also capable of providing multiple views of customer information and has been integrated into several PSC Systems, eliminating dual entry and increasing accuracy.

- 1.2. *Implement Change Management techniques across PSC to align behaviors with strategy*  
The PSC will work with Change Management Specialists in creating a shared direction in line with strategic goals by working with the senior executive team to build a strong team with a common vision. We will do some individual coaching to assist managers in transitioning change to the organization. Concurrently PSC will work with mid-level management in sharing the common vision of the senior executive team and identifying barriers and solutions to transitioning change. We will also develop critical thinking skills and learn to resolve communication barriers.

**FY 04 Target:** Train 100% of employees in strategic goals, vision, and values. Goal met. At the beginning of FY 04, the PSC Executive Team developed the 2004-2008 PSC Strategic Plan and 2004 Business Plan. These documents provided specific information regarding the strategic goals, PSC vision and core values of the organization. Each of these documents was distributed to employees in paper-form and/or electronically. They are also accessible on the PSC intranet 24 hours a day, seven days a week. In addition, the goals, vision, and values have been reinforced in ongoing internal communications throughout the year.

Additionally, throughout FY 2004, the PSC also continued with its change management approach by linking its Strategic Plan to the Secretary's 10 Management Objectives and cascading this down to the Executive Performance Contracts. These metrics, combined with initiatives outlined in the Executive Performance Contract formed the basis of employee Performance Plans. Accountability is now in place at all levels of the Organization, with links back to the Department goals. The PSC has also implemented many of the suggestions defined from the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis performed in FY 2002. These include development of an Internal Communications Plan that will monitor employee expectations, feedback and assist them in understanding the organizational goals. The PSC also continues to further

develop standardized business tools. Additional Change Management review training sessions have occurred throughout various sections of the Organization to assist with Business Case Analysis (BCA) transitions.

1.3. *Develop a Customer Relations Management Program -- Implement one stop shop approach, centralize agreements, sponsor focus groups and customer visits*

Customer Relations Management at the PSC is a customer driven enterprise that provides shared services and products through centralized customer service channels that are technologically enabled. As part of the Program, customer service representatives have been identified in critical service areas throughout the PSC to acquire a clear understanding of customer values, needs and requirements. As a result, we have implemented the centralization of customer service agreements into one area and manage both service levels, pricing and billing from a centralized automated source.

**FY 04 Target:** 100% implemented. Goal met. The primary objectives of the Customer Relationship Management (CRM) initiative is to establish an organization, business processes, and supporting technology that enables PSC to reduce cost of services, improve quality of services, and increase flexibility in doing business with other agencies. The PSC Executive Team has created Customer Vision Statements, Values, and Principles to set direction for the initiative. They have conducted a CRM workshop, developed a customer strategy and outlined the CRM governance structure. The PSC has outlined its requirements for a robust total Customer Relations Management Program and is beginning to look at software options and approaches for budget planning. This could include centralization of all help desks and a robust management reporting tool to provide global customer statistics. The PSC has also developed a mandatory requirement for all employees to attend continuous customer service training in which the curriculum will be built upon actual PSC customer service cases.

Furthermore, in order to continue with our Customer Relationship Management (CRM) approach, the PSC has implemented additional customer focus tools. All PSC employees have a feedback link identified on all outgoing e-mail requests. The PSC Customer Comment Card links back to the Organization's Key Performance Indicator of quality service and customer satisfaction. These metrics are collected on a monthly basis and statistics and actual customer responses are provided to the cost center managers for follow-up. In addition, members of the PSC Executive Team have been serving as Senior Customer Account Representatives to their counterpart in each of the OPDIVs. This includes being available to work all issues across Service areas and making regular contact to specifically discuss all customer service expectations on a quarterly basis, or more often if needed.

1.5. *Increase use of performance based contracts; Award at least 20% of new eligible PSC service contracts over \$100K as performance based*

**FY 04 Target:** Increase over FY 03. Goal met. In FY 03 82% of eligible service contracts were awarded as performance based. In FY 04, 100% of eligible contracts were awarded as performance based, thus demonstrating an increase over the previous year. Performance based activity included 23 newly awarded master task order contracts for technical and program assistance as well as two commercial sourcing/A-76 efforts. Meeting this goal was possible due to the combined efforts of the PSC program offices/project officers and the contract specialists.

Data Verification and Validation: Data from workload reports.

1.10. *Employee Assistance Program: Provide employee assistance services*

Employee Assistance Programs provide consultation to supervisors regarding employee services (assessment of employee emotional, substance abuse, or situational problems that may interfere with job performance) and short-term counseling for employees. Employees are more likely to be helped early in the course of an illness when confrontation and resolution occurs in the job setting, and when the source of help is close at hand and easy to access. This reduces the cost of treatment (including Federal benefits costs) and returns the employee to a more productive status sooner, thus minimizing productivity losses. Critical incident stress debriefing benefits groups of otherwise well employees who have just suffered trauma on the job. It helps them understand normal reactions to abnormal situations, and offers individual personal assistance when necessary.

The baseline is the number of employees to whom these services were available from FOH in FY 1998. In FY 98, services were available to 1.19 million Federal employees.

Projected levels are based on the volume of current business, marketing efforts, and trends such as agency budget pressures, competitors' successes, and downsizing.

**FY 04 Target:** 1.40M. Goal met. There was 1.51M Federal employees served.

1.15. *Refer eligible Health Professions debt to the Office of the Inspector General for exclusion from participation in Medicare*

Prompt, accurate, effective collection and deposit of funds owed to the Government is essential to fulfillment of public financial and program objectives. Timely exclusion from federally supported Medicare reimbursement for services has been highly effective in achieving compliance from medical professionals who fail to meet legal debt obligations to the Government. Eligible health profession debt relates to requests received from the Department of Justice (DOJ) District Offices to exclude health professionals from Medicare, Medicaid and State program participation who are delinquent in repaying their Health Education Assistance Loans or their National Health Service Corps Scholarship financial obligation. Upon receipt of a request from DOJ, we issue a 60-day demand notice giving the debtor due process and informing the health professional to contact the applicable DOJ District Office. The 60-day notices are tracked and the District Office is contacted at the end of the 60-day period. If DOJ instructs us to proceed, a referral package and an exclusion request is prepared and submitted to the Inspector General's Office within 30 days. Therefore, an eligible debt is referred within 90 days from receiving a request. An eligible debt is not referred if DOJ instructs this office not to proceed after the 60-day notification has been issued.

**FY 04 Target:** 95%. Goal met. In FY 04, 100% of eligible debt was referred.

1.16. *Goal was dropped in FY 2004*

## Strategic Management Objective 2 – Maximize Opportunities to Improve Customer Satisfaction Levels

### 2.1. *Distribute PSC comment cards and evaluate monthly and conduct a PSC-wide customer satisfaction survey annually*

Prior to FY 2003, annual PSC wide customer satisfaction surveys were sent to customers during August or September to coincide with the end of the fiscal year. During FY 2003, the Executive Team decided that in order to receive a more global perspective of customer satisfaction the comment cards would be used to evaluate customer satisfaction at the point-of-service level and an annual customer satisfaction survey developed, which would mirror these questions, and would be distributed to key stakeholders. This survey replaced the previous annual survey. Although PSC has developed an annual customer survey, this will not be formally implemented until FY 2005. In the interim, the Executive Team has initiated a Senior Customer Service Representation Program with each OPDIV and established a baseline of customer satisfaction. In addition, the customer comment cards have been used extensively to meet this goal. As PSC continues to further assess the needs of our customers, findings will be used to enhance our performance by refining service standards, targeting areas in need of improvement and identifying potential solutions to improve customer satisfaction. Any dissatisfaction with the products and/or services provided by the PSC is immediately sent to a contact within each of the product lines/services for follow-up.

**FY 04 Target:** Increase results of each survey by 2%. *Distribute PSC comment cards and evaluate monthly and conduct an annual PSC key stakeholders customer satisfaction survey (changed wording from PSC-wide customers to key stakeholders -- which consist of the Service and Supply Fund Board members and changed target to reflect a greater increase in customer satisfaction because FY 2003 goal was exceeded in reference to the PSC comment cards).* Goal not met. In FY 04, 2,600 comment card responses were received and 88% indicated an overall satisfaction rating of Very Satisfied and Satisfied. An evaluation and analysis was also performed in the following four categories (each category showing an Excellent response ranking). Results indicated: Cost/Value: 69%; Quality: 72%; Courtesy: 79%; and Responsiveness: 73%. FY 2004 results can be compared with FY 2003 results: 89% indicated an overall satisfaction rating of Very Satisfied and Satisfied. An evaluation and analysis was also performed in the following four categories and results indicated: Cost/Value: 84%; Quality: 86%; Courtesy: 93%; and Responsiveness: 88%. It should be noted that the FY 2003 response rate was only 375 responses as compared to 2600 in FY 2004.

The second component of this performance goal was the distribution of an Annual Customer Satisfaction Survey. Due to FY 2004 budgetary restraints, the customer satisfaction survey was not distributed in the timeframe expected (third quarter of FY 2004). However, the customer satisfaction survey has been developed and is expected to be distributed within the first quarter of FY 2005 to key stakeholders and PSC-wide associates. However, in FY 2004 the Board of Directors were asked to provide an overall satisfaction level with PSC and reported a baseline of highly satisfied.

Data Verification and Validation: Data from PSC Comment Card Reports.

2.2. *Goal was dropped in FY 2004*



2.3. *Provide customers with on-line invoicing and on-line viewing of bills that provide customers with an accurate, clear, and concise detailing of service provided, with drill-down capability*

The new billing system will not have fully automated transfer of invoicing data to the CORE financial system (for the purposes of Intra-governmental payment and collection (IPAC) processing) until the end of FY 2004. The Supply Service Center (SSC) and the Federal Occupational Health (FOH) will not be included initially but will migrate in early FY2005. Although the system has on-line viewing and invoice capability for all services, it will still require a manual process of actual IPAC and SF1080 billings until we fully integrate FOH, who will provide this information by in beginning in October 2004 with full implementation by April 2005 and SSC, who will be integrated by early FY05.

**FY 04:** Provide 100% of customers with on-line viewing and billing capability. Goal met. All PSC customers are now receiving paperless bills through the PRICES On-line Viewer capability. Although the System does not have fully automated transfer of invoicing data to the CORE financial system to date, testing is in progress. The last System integration (FOH) is currently in process and will be complete by mid FY 2005. The System is being updated to include additional information pertaining to the customer's estimated demand as well as tracking their actual demand. This information will provide trend data relevant to their usage and future requirements.

1.4 *Goal was dropped in FY 2004*

- II. Financial Resource Management** – Provide PSC, HHS and other agencies with modern, fully integrated financial operations needed to properly account for effective economic use of public funds, and provide full, accurate reporting. Objective 3 Full Cost Budget FY 2004 \$81,624,000.

Financial Resource Management			
Performance Goals	Targets	Actual Performance	Reference
<b>Strategic Management Objective 3 – Improve PSC Financial Performance and Assure Budget and Performance Integration</b>			
<p>3.1. Achieve unqualified (clean) audit opinions for the PSC and its customers</p> <p><b>3.1 and 3.2 have been revised and combined for FY 04</b></p> <p>3.1. Achieve unqualified (clean) audit opinions for the PSC as well as zero material weaknesses (MW) and reportable conditions (RC)</p> <p>[Outcome]</p>	<p><b>FY 04:</b> Unqualified</p> <p><b>FY 03:</b> 100%</p> <p><b>FY 02:</b> Unqualified</p>	<p><b>FY 04:</b> Unqualified with 1 new MW, 1 repeat MW and 1 repeat RC (Not Met)</p> <p><b>FY 03:</b> 100% Unqualified (Met)</p> <p><b>FY 02:</b> 5/5 Unqualified (Met)</p> <p><b>FY 01:</b> 6/6 Unqualified (Met)</p> <p><b>FY 00:</b> 5/6 Unqualified (Met)</p> <p><b>FY 99:</b> 5/6 Unqualified (Met)</p>	
<b>Total Program Funding (FMS) (FY 2004: 32%)</b>			
3.2. Goal was dropped in FY04			
3.3. Implement automated costing model to allow proper alignment of fully burdened costs to the proper product/service and integration of product costs to the budget	<p><b>FY 04:</b> Cost, price, and budget 100% of PSC services using an automated costing model</p> <p><b>FY 03:</b> Provide 100% of PSC managers an automated costing tool to use to compare to existing costs/rates</p>	<p><b>FY 04:</b> 100% (Met)</p> <p><b>FY 03:</b> 100% (Met)</p>	 <b>E</b>
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops) (FY 2004: 68%)</b>			
3.8. Goal dropped in FY 04			

## **Detail of Performance Analysis**

### **Strategic Management Objective 3 – Improve PSC Financial Performance and Assure Budget and Performance Integration**

- 3.1. *Achieve unqualified (clean) audit opinions for the PSC as well as zero material weaknesses (MW) and reportable conditions (RC).*

**3.1 and 3.2 have been revised and combined for FY 04 and FY 05:** We will focus on PSC's clean audit opinions only.

**FY 04 Target:** Unqualified and no new. In FY 04, results show an Unqualified audit with 1 new MW, 1 repeat MW and 1 repeat RC. Because a new material weakness was identified, the goal is Not Met. However, FMS has taken steps to ensure that similar issues and risks are mitigated in the future. Processes have been put into place to immediately address and resolve material weaknesses and reportable conditions as they are discovered. Also, action has been taken to address and resolves issues identified in the past. The appropriate skills levels have been identified for personnel involved in financial management processes and recruitment and retention efforts have been made to ensure that the workforce is prepared to handle the workload and the challenges associated with this type of work.


Data Verification and Validation: Independent auditors.

- 3.2. *Goal was dropped in FY 2004*
- 3.3. *Implement automated costing model to allow proper alignment of fully burdened costs to the proper product/service and integration of product costs to the budget*


**FY 04 Target:** Cost, price, and budget 100% of PSC services using an automated costing model. Goal met. 100% of the 62 service/product lines were costed in FY 2004 using the automated tools and methodology described above. Upon completion of costing, the Fee-for-Service Spreadsheet System maps all costs to the relevant budget object class line items which are used for budgeting. The System has proved so successful that other organizations within the Service and Supply Fund are now using these automated tools as well, bringing standardization to the fund.

- 3.8 *Goal was dropped in FY2004*

- III. Business Strategy and Innovation:** Continuously provide creative and proactive management and leadership that develops and improves business relationships. Run an efficient competitive sourcing program and encourage more and better use of IT/E-Gov. Objective 4 Full Cost Budget for FY 2004 \$49,321,000.

Business Strategy and Innovation			
Performance Goals	Targets	Actual Performance	Reference
<b>Strategic Management Objective 4 – Optimize E-Gov Opportunities and Ensure Competitive Sourcing Compliance</b>			
4.1. Partner with other Federal agencies to provide services  [Outcome] [Developmental] [Efficiency]	<b>FY 04:</b> Review 50% of cost centers for partnering opportunities  <b>FY 03:</b> Review 25% of products for partnering	<b>FY 04:</b> 56% of cost centers reviewed; two resulted in partnering (Met)  <b>FY 03:</b> 47% of cost centers reviewed; 3 resulted in partnering (Met)	E
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, Dir Ops) (FY 2004: 8%)</b>			
4.5. Implement Human Resources automation tools	<b>FY 04:</b> Implement 3 additional HR tools.  <b>FY 03:</b> Implement 6 HR tools	<b>FY 04:</b> 2/3 completed. Not Met (See narrative)  <b>FY 03:</b> 4/6 completed. Not Met (See narrative)	 6
<b>Total Program Funding (HRS) (FY 2004: 20%)</b>			
4.6. Goal dropped in FY 04			



Business Strategy and Innovation			
Performance Goals	Targets	Actual Performance	Reference
<p>4.7. Develop a three-year competitive sourcing plan and complete competitive sourcing studies for commercial activities in the PSC according to OMB goals and based on the PSC FAIR Inventory for FY 2000</p> <p>[Outcome]</p>	<p><b>FY 04:</b> Updated FY 2003 - Baseline: 621 on PSC Fair Inventory. Planned: 1 standard competition (17) and 1 streamlined competition (4).</p> <p><b>FY 03:</b> 10% of inventory; Cumulative - 15% (92)</p> <p><b>FY 02:</b> 5% of inventory (31)</p>	<p><b>FY 04:</b> 1 streamlined competition completed; 1 standard competition completed. (Met)</p> <p><b>FY 03:</b> Plan completed and goal exceeded. 10.1% of inventory (62) studied and 2 directly converted as of May 29, 2003. Cumulative goal also met. 22.3% (137)</p> <p><b>FY 02:</b> Plan completed and goal exceeded. 12.4% of inventory (75) studied and converted to contract (met)</p> <p><b>FY 00:</b> 614 on PSC FAIR Inventory</p>	 <b>4</b>
<b>Total Program Funding (AOS)</b> <b>(FY 2004: 72%)</b>			

## **Detail of Performance Analysis**

### **Strategic Management Objective 4 – Optimize E-Gov Opportunities and Ensure Competitive Sourcing Compliance**

#### **4.1. *Partner with other Federal agencies to provide services***

This goal is developmental, based upon the results of PSC's review of products for partnering. We have had discussions with USDA and plan to partner with them as our furniture refurbishing source. We are in ongoing discussions with NIH regarding them taking over our GSA leased vehicle management.

**FY 04 Target:** Review 50% of cost centers for partnering. Goal met. 56% of cost centers (31 of 55; 9% increase over FY 2003) reviewed; two resulted in partnering. Of the five additional Business Case Analyses completed in FY 2004, partnering or alternative sources were reviewed for best business practices and several partnering opportunities were implemented or recommended. The PSC Library BCA revealed that NIH had several similar libraries with state-of-the-art facilities. In order to maintain this business line within the PSC, we would have had to incur substantial costs to modernize. Therefore, a merger was negotiated; the business line and PSC Library employees have been transferred to NIH as of January 2004. Also in FY 2004, the PSC identified and conducted a Strategic Sourcing pilot. Through a viability assessment, a common approach to increase efficiencies and drive cost savings across all Operating (OPDIVs) and Staff (StaffDivs) Divisions of HHS when purchasing office supplies was identified. The assessment was completed using a sampling of three PSC office commodity categories and buying statistics. Results proved significant enough to warrant implementation of a Department strategic sourcing pilot with the intention of creating framework for a "Center of Excellence" that will support contracting for Department-wide commodities.

#### **4.5. *Implement Human Resources automation tools.***

We completed implementation of the following automated tools by the end of FY 2003: QuickHire, AVUE, on-line exit survey, on-line entry-on-duty forms, on-line survey of new hires, and the automated RPL/CTAP listing for outplacement. As we implement more automation tools that will improve our service delivery, we will be able to reduce staff costs and/or redirect their efforts to strategic initiatives.

**FY 04 Target:** Implement 3 additional HR tools. Goal not met. The following areas were targeted for an FY 2004 implementation: Electronic Official Personnel Folder (eOPF), Quick Class and Reporting Tools. Two were implemented.

Electronic Official Personnel Folder (eOPF) – In FY 2004 the Department participated in several meetings with the Office of Personnel Management (OPM) and one meeting with the Office of Management and Budget (OMB) regarding the vision for the eOPF project. The Department, along with OPM, anticipates this tool will become a Government-wide initiative.

To date, the Department now has a several years of OPF related data in the Enterprise Human Resources and Payroll System (EHRP). We will be using a one-time extract of EHRP data that will provide eOPF initialization and population data as well as an interface

for daily batch updates of data that is normally stored in the OPF. This will provide a considerable savings in time, effort and cost.

The OPM will be providing a test environment for our tests with the initial loading of personnel data contained in EHRP, the initial loading of our form 50 data extracted from EHRP, and to test our back-file conversion process for scanned documents. Also, OPM will be providing the hosted application for HHS as well as other governmental agencies. The system is up and testing with a limited audience of HR users in the system is underway. All HR Specialist training and System Administration Testing have been completed.

Significant progress has been made. Processes have been formalized, training is complete, scanners and workstations are in place for the HR staff, the system is up and being tested and conversion data is being loaded according to schedule.

QuickClass – Efforts are underway in building the data infrastructure to support the overall implementation to QuickHire's companion classification system, QuickClass. Since the QuickClass product was delivered with no content, the Human Resources (HR) Centers are currently reviewing existing position descriptions to develop the content needed to populate the system. Also, a review of questions for the QuickHire library is in progress. Training is underway for the HR staffs on the new System.

Reporting Tools - The reporting tool Actuate has been procured for implementation in FY 2004. However, the monies allocated for implementation of the product were approved but not awarded until August 2004, thus delaying implementation until FY 2005. The project is on schedule with a pilot expected to be conducted in January 2005.

Data Verification and Validation: Automated tools in place and being used by HHS human resources staffs to improve service delivery.

4.6. *Goal was dropped in FY 2004*

4.7. *Develop a three-year competitive sourcing plan and complete competitive sourcing studies for commercial activities in the PSC according to OMB goals and based on the PSC FAIR Inventory for FY 00*

**FY 04 Target:** OMB eliminated government-wide goals. Department updated FY 2003 Baseline: 621 on PSC Fair Inventory. Planned: 1 standard competition (17) and 1 streamlined competition (4). Based the Department's customized FY 2004 Green Competition Plan, the PSC completed 1 streamlined competition (December 5, 2003) and 1 standard competition (September 9, 2004) in FY04.

Data Verification and Validation: FY 2000 PSC FAIR Inventory Report.

- IV. Employee Management and Development:** Develop and implement human capital systems that foster equal opportunity and promote recruitment and retention in PSC's major skills areas and position types. Promote training and retraining of PSC employees. Objective 5 Full Cost Budget for FY 2004 \$18,649,000.

<b>Employee Management and Development</b>			
Performance Goals	Targets	Actual Performance	Reference
<b>Strategic Management Objective 5 – Managing Human Capital Strategically</b>			
5.1. Implement workforce strategies and systems to recruit and retain	<b>FY 04:</b> Develop a recruitment plan  <b>FY 03:</b> Complete workforce analysis	<b>FY 04:</b> Met  <b>FY 03:</b> Met	2
<b>Total Program Funding (HRS)</b> <b>(FY 2004: 83%)</b>			
5.3. Cross-train/re-train PSC staff to accommodate those impacted by outsourcing, consolidation or restructuring  [Outcome]	<b>FY 04:</b> 100% of those impacted  <b>FY 03:</b> 100% of those impacted	<b>FY 04:</b> 100% (0/0) - Met  <b>FY 03:</b> 100% (7/7) - Met	2
<b>Total Program Funding (HRS)</b> <b>(FY 2004: 17%)</b>			

## **Detail of Performance Analysis**

### **Strategic Management Objective 5 – Managing Human Capital Strategically**

#### **5.1. *Implement Workforce Strategies and Systems to Recruit and Retain***

The PSC will conduct a workforce analysis that documents our attrition rate(s) by series/grade/location; projects attrition for the next 5 years; and provides a gap analysis of what types of skills will be needed. We will also develop a plan to recruit, retain and train to meet the gaps.

**FY 04 Target:** Develop a recruitment plan. Goal Met. In FY04, there was a comprehensive staffing plan initiative completed. Each Service Area was responsible for developing a list of positions and corresponding grades that needed to be filled, with a justification or explanation, and whether this was a straight replacement, new position, or replacement at lower grade or with a different skill set. There was a focus on evaluating position skill sets and expected trends.

Data Verification and Validation: Workforce analysis process in place; recruitment plan in place.

#### **5.3. *Cross-train/re-train PSC staff to accommodate those impacted by outsourcing, consolidation or restructuring***


**FY 04 Target:** Cross-train/re-train 100% of those impacted. Goal met (0/0). Although consolidations and reorganizations continued throughout the PSC in FY 2004, the vast majority of affected employees remained within their respective fields and therefore did not require re-training. On the job training was provided to the few individuals making a career change. In addition, open enrollment career development classes, career counseling services and retirement classes continue to be available to all employees. To assist organizations in transition, HHS University also offers performance consulting.

Data Verification and Validation: Staff deployed to positions.

## Detail of Performance Analysis

The PSC has organized its FY 2006 Annual Performance Plan to reflect the overall organizational structure. The goals and objectives represent a broader view and a balanced approach to measuring PSC's performance.

The reference column in the following performance tables indicates which goals are Presidential Management Agenda goals, "One HHS" Department-wide Management Objectives, and the efficiency measure. Below is a reference guide to support the linkages between the PSC performance goals and these Government-wide and Departmental goals.

<i>Symbol</i>	<i>Reference</i>
	President's Management Agenda
<b>2</b>	HHS Goal - Implement Strategic Human Capital Management
<b>6</b>	HHS Goal – Consolidate Management Functions and Achieve Administrative Efficiencies
<b>8</b>	HHS Goal – Improve Real Property Asset Management
<b>E</b>	Efficiency Measure

- I. Improve Quality** - Provide quality administrative support so that high performance can be maintained in HHS Program services. Objective 1 Full Cost Budget for FY 2005 \$187,461,000, and for FY 2006 \$189,768,000 (35% of total PSC budget).

<b>Improve Existing PSC Services</b>			
Performance Goals	Targets	Actual Performance	Reference
1.1 Achieve timeliness targets	<b>FY 06:</b> 95% of services achieving timeliness targets  <b>FY 05:</b> 100% of services achieving timeliness targets	<b>FY 06:</b>  <b>FY 05:</b>  <b>Baseline: FY 04:</b> 91%	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 50%) (FY 2006: 50%)</b>			

Improve Existing PSC Services			
Performance Goals	Targets	Actual Performance	Reference
1.2 Achieve customer satisfaction targets	<p><b>FY 06:</b> 90% of customers responding to the PSC Comment Card indicate excellent/good with the satisfaction of services provided</p> <p><b>FY 05:</b> 100% of customers responding to the PSC Comment Card indicate excellent/good with the quality of services provided</p> <p><b>FY 04:</b> 88%</p>	<p><b>FY 06:</b></p> <p><b>FY 05:</b></p> <p><b>FY 04:</b> 88%</p> <p><b>Baseline FY 03:</b> 86%</p>	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 50%) (FY 2006: 50%)</b>			

## **Detail of Performance Analysis**

**I. Improve Quality** - Provide quality administrative support so that high performance can be maintained in HHS Program services.

### ***1.1 Achieve timeliness targets***<sup>1</sup>

The PSC seeks to provide timely, accurate and efficient services to all customers through simplified and streamlined processes and procedures and through employing best business practices. The PSC will measure the timeliness of our service delivery against the timeliness performance standards established for each cost center in our comprehensive Products and Services Directory. While these standards will be rolled up to the highest PSC level, each business line will be held responsible for meeting their goals. Results will be analyzed monthly and reviewed for problem resolution and tracked for improvement.

**FY 05 Target:** 100% of services achieving their timeliness performance standards

**FY 06 Target:** 95% of services achieving their timeliness performance standards

**Data Verification and Validation:** Data on timeliness is recorded and reported monthly by each cost center manager and rolled up to each Service level for an overall total.

### ***1.2 Achieve customer satisfaction targets***

The PSC seeks to provide quality, value-added services to all customers through reengineered processes and procedures, management and employee attention to quality, and through employing best business practices. The PSC will measure the perceived quality of our service delivery as the percentage of customers expressing overall satisfaction with the quality of services provided. The quality of our service delivery will allow our customers to better serve their core missions.

**FY 05 Target:** 100% of customers responding to the PSC Comment Card indicate excellent/ good with the satisfaction of services provided

**FY 06 Target:** 90% of customers responding to the PSC Comment Card indicate excellent/ good with the satisfaction of services provided. This KPI defines quality as those customers who are highly satisfied with overall and total service. The logic model defines quality as customers collectively satisfied with courtesy, responsiveness, cost and timeliness. Although the data used to measure this KPI will not change and in fact will expand as we further develop our Customer Relationship Management Program. The goal was also decreased, as the PSC Executive Team determined that while goals were set high in order to improve service approach, it was unrealistic to think that all customers would be happy all of the time. The target was modified to continue to strive for improved customer satisfaction, while considering the current customer satisfaction level and the potential impact of depending Department initiatives and these transition efforts upon customer satisfaction.

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<sup>1</sup> When goal 1.1 was originally established, there was limited information available to justify the target. However, we now believe that the FY 2005 target is ambitious based upon FY 04 results. The FY 2005 goal had already been established when this information became available; therefore the goal could not be adjusted. However, the PSC revised the target for FY 06 because it is unrealistic to expect the high growth rate to be maintained. Regardless, PSC always strives to exceed these targets.





Data Verification and Validation: Data will be obtained from the results of the PSC Customer Comment Cards and annual survey, which specifically address customer satisfaction with the quality of overall services.

**II. Improve Cost Savings to HHS** - Annual improvement of costs per service to our customers captured by percentages of costs decreased, maintained and/or increased. Objective 2 Full Cost Budget for FY 2005 \$348,141,000, and for FY 2006 \$352,426,000 (65% of total PSC budget).

Pursue New Business Opportunities			
Performance Goals	Targets	Actual Performance	Reference
2.1a. Expand Market Share — Increase percentage of new customers acquired annually  [Outcome]	<b>FY 06:</b> 2% increase over FY 04 (359)  <b>FY 05:</b> 5% increase over FY 03 baseline (333)	<b>FY 06:</b>  <b>FY 05:</b>  <b>FY 04:</b> 10.7%  <b>Baseline: FY 03:</b> 318 customers	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			
b. Increase percentage of existing customers obtaining new services  [Outcome]	<b>FY 06:</b> 2% increase (354)  <b>FY 05:</b> 5% increase (333)	<b>FY 06:</b>  <b>FY 05:</b>  <b>FY 04:</b> 9.4%  <b>Baseline: FY 03:</b> 318 customers	6
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			

Asset Management (People, \$, Capital)			
Performance Goals	Targets	Actual Performance	Reference
2.2 Contribute to the Department's administrative reduction goals as the designated shared services center  [Outcome]	<b>FY 06:</b> Maintain 15% reduction of FTEs in administrative services Department-wide  <b>FY 05:</b> Maintain 15% reduction of FTEs in administrative services Department-wide	<b>FY 06:</b>  <b>FY 05:</b>  <b>Baseline: FY04:</b> 963 FTEs	 2, 6, 8
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			
2.3 Reduce PSC overhead cost  [Outcome]	<b>FY 06:</b> Maintain PSC overhead rate at 1.3% or less  <b>FY 05:</b> By 10%	<b>FY 06:</b>  <b>FY 05:</b>  <b>Baseline: FY 04:</b> 14% reduction	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			
2.4 Reduce revenue consumed by intra-service costs  [Outcome]	<b>FY 06:</b> By 10%  <b>FY 05:</b> By 17%	<b>FY 06:</b>  <b>FY 05:</b>  <b>Baseline: FY 04:</b> \$11,195,017	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			
2.5. Percentage of products/services achieving a certain Net Operating Result (NOR)  [Outcome] [Efficiency]	<b>FY 06:</b> 100%  <b>FY 05:</b> 90%	<b>FY 06:</b>  <b>FY 05:</b>  <b>Baseline: FY 04:</b> 100%	 E
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			

Asset Management (People, \$, Capital)			
Performance Goals	Targets	Actual Performance	Reference
2.6. Achieve unqualified (clean) audit opinions for the PSC (revised) [Outcome]	<b>FY 06:</b> Achieve unqualified (clean) audit opinions for the PSC as well as no new material weaknesses (MW) and reportable conditions (RC). Measurable progress will be made on correcting existing MW and RC.  <b>FY 05:</b> Unqualified and no new	<b>FY 06:</b>  <b>FY 05:</b>  <b>FY 04:</b> Unqualified with 1 new MW, 1 repeat MW and 1 repeat RC	
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			
2.7 Achieve overall increase in employee satisfaction PSC-wide [Outcome]	<b>FY 06:</b> 75% neutral to very positive  <b>FY 05:</b> 77% neutral to very positive	<b>FY 06:</b>  <b>FY 05:</b>  <b>FY 04:</b> 68%  <b>Baseline: FY 03:</b> 75%	 <b>2</b>
<b>Total Program Funding (crosscutting AOS, FMS, HRS, FOH, SAS, HRC)</b> <b>(FY 2005: 12.5%) (FY 2006: 12.5%)</b>			

## **Detail of Performance Analysis**

**II. Improve Cost Savings to HHS** - Annual improvement of costs per service to our customers captured by percentages of costs decreased, maintained and/or increased.

### ***2.1(a.) Expand Market Share - Increase percentage of new customers acquired annually***

The PSC seeks to expand its share of the HHS and other Federal agency program support market share in order to establish itself as the leader in shared services, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. Through obtaining new Federal customers, both internal and external to the Department, the PSC can spread overhead costs to a greater number of work units, achieve economies of scale through volume buys, thus lowering the cost to all customers. The PSC will develop and implement a marketing plan that analyzes the market segments and is focused on growth through elimination of duplication and expansion to new customers. In FY 2004, the percent of new customers that were acquired was increased by 10.7%.

**FY 05 Target:** 5% increase in customer organizations served

**FY 06 Target:** 2% increase over FY 04 in customer organizations served<sup>2</sup>

**Data Verification and Validation:** Data on the number of customers (established by billings) that the PSC supports is maintained in the Customer Information section of the PSC Revenue, Invoicing, and Cost Estimation System (PRICES). Actual performance will be measured by the increase in the number of customers billed through PRICES over the prior year.

### ***2.1(b.) Increase percentage of existing customers obtaining new services***

The PSC seeks to expand the number of services provided to our current HHS and other Federal customers market in order to establish itself as the leader in shared services, eliminate duplication throughout the Department, benefit from economies of scale, achieve operational efficiencies, foster standardization, and free customers to focus on their core mission. By providing additional services to existing customers, both internal and external to the Department, the PSC can spread overhead costs to a greater number of work units, thus lowering the cost to all customers. The PSC marketing plan will also be built to focus on Department consolidation and elimination of duplication. In FY 2004, the number of existing customers purchasing new services increased by 9.4%.

**FY 05 Target:** 5% increase in number of customers obtaining new services

**FY 06 Target:** 2% increase in number of customers obtaining new services<sup>3</sup>

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<sup>2</sup> When goal 2.1a was originally established, there was limited information available to justify the target. However, we now believe that the FY 2005 target is ambitious based upon FY 04 results. In FY 2004, the number of new customers grew dramatically. The FY 2005 goal had already been established when this information became available; therefore the goal could not be adjusted. However, the PSC revised the target for FY 06 because it is unrealistic to expect the high growth rate to be maintained. Regardless, PSC always strives to exceed these targets.

<sup>3</sup> When goal 2.1b was originally established, there was limited information available to justify the target. However, we now believe that the FY 2005 target is ambitious based upon FY 04 results. In FY 2004, the number of customers obtaining new services grew dramatically. The FY 2005 goal had already been established when this information became available; therefore the goal could not be adjusted. However, the PSC revised the target for FY 06 because it is unrealistic to expect the high growth rate to be maintained. Regardless, PSC always strives to exceed these targets.

Data Verification and Validation: Data on the level of service each customer receives compared to the actual received from the PSC (counted at the cost centers billed level) is maintained in the billing module of the PRICES System. Actual performance will be measured by the increase in estimated versus actual demand over the prior year.

## ***2.2. Contribute to the Department's administrative reduction goals as the designated shared services center***

In the spirit of the Secretary's "One Department" Initiative and the Chief of Staff's memorandum naming PSC as the Department Shared Services organization, dated April 17, 2003, the PSC is committed to eliminating duplication in administrative services across HHS and establishing itself as the Departmental leader in shared services. By expanding our services to new HHS customers and providing more services to our current HHS customers, the PSC can eliminate duplicative services performed elsewhere in the Department. In addition, the PSC works actively to promote joint initiatives such as the acquisition consolidation and partners with other Federal agencies to consolidate non-core products and services. In FY 2003, the Assistant Secretary for Budget, Technology, and Finance (ASBTF) provided the OPDIVs with an administrative FTE target for the Department. We will use this number as the baseline to address how the PSC has contributed to the success of this Department initiative.

**FY 05 Target:** Maintain 15% of FTEs in administrative services Department-wide reduced on net annually (This is not an additional reduction; instead the PSC strives to maintain the staffing levels that have been reduced across the Department, or if possible, reduce further. This goal is intended to control excess or unnecessary growth of FTEs).

**FY 06 Target:** Maintain 15% of FTEs in administrative services Department-wide reduced on net annually (This is not an additional reduction; instead the PSC strives to maintain the staffing levels that have been reduced across the Department, or if possible, reduce further. This goal is intended to control excess or unnecessary growth of FTEs).

Data Verification and Validation: Data will be obtained from ASBTF on the total estimated FTEs reported HHS-wide that were categorized as administrative in nature. Actual reductions will be calculated as the total administrative FTEs over the prior year.

## ***2.3. Reduce PSC overhead cost***

The PSC recognizes that it must be prudent in keeping down overhead costs (those not involved directly in the performance of our products and services). As a result, the PSC seeks to reduce resources consumed by overhead to the extent possible while still maintaining required internal support functions. Reductions might take the form of staff reassignments from overhead to direct customer support, stringent cost management, elimination of non-value added functions, and reductions in contracted administrative staff.

**FY 05 Target:** Reduction of overhead cost by 10% over prior year

**FY 06 Target:** Maintain PSC overhead rate at 1.3% of costs or less. Since FY 2002, PSC has reduced overhead over 40% within the last three years; this goal has been adjusted to that of a maintenance goal. While still a goal that should be monitored, the PSC overhead is extremely low

and it is not realistic to think that it could be driven down any lower. The change to the KPI allows us to monitor and maintain this low rate of overhead.

Data Verification and Validation: Data will be obtained from the Fee-for-Service Spreadsheet (FFSS) module of the PRICES System from annual overhead cost estimates that were applied to direct costs during the annual rate setting process. Actual performance will be calculated as the total overhead costs allocated over the prior year.

#### ***2.4. Reduce revenue consumed by intra-service costs***

The PSC recognizes that intra-service costs (the cost of PSC services provided by one cost center to another) result in higher rates to our customers with little value added to their mission while still a valid cost of doing business. As a result, the PSC seeks to carefully manage and reduce resources consumed by intra-service support to the extent possible while still maintaining required support functions. Reductions might take the form of identification of intra-service support more appropriately charged to customers, reduction in non-essential requests between Divisions/Service Units, and education of managers on prudent use of PSC's products and services.

**FY 05 Target:** Reduction of intra-service costs by 17% over prior year

**FY 06 Target:** Reduction of intra-service costs by 10% over prior year

PSC only began tracking its cost of servicing itself in FY 2003. The rationale behind this metric is to improve buying behavior and to also capture lost revenue when two PSC offices are charging each other but never continuing with the next step, that of charging the customer. While our goal in FY 2005 is to reduce this cost by 17%, by FY 2006 we should have good trending analysis and will continue to reduce intra-service costs by a smaller percentage and eventually establish a maintenance goal. To serve as a baseline, the total intra-service costs in FY 2004 were 2.17%. The total intra-service costs in FY 2005 will be compared against the FY 2004 costs to form a percentage.

Data Verification and Validation: Data will be obtained from the FFSS module of the PRICES System from annual intra-service cost estimates that were applied to direct costs during the annual rate setting process. Actual performance will be calculated as the total intra-service costs allocated over the prior year.

#### ***2.5. Percentage of products/services where cost is fully covered by revenue***

As a Working Capital fund, the PSC must fully recover its operating costs with customer revenue not just at the agency and Service level, but at each individual cost center (product/service) level. Each cost center is costed and priced individually and revenue is collected at the center level. This enables PSC management to evaluate the performance, cost and business results of each line, identify problem areas and take appropriate action. Although legislation requires that PSC recover its cost and it intends to do so at the highest level, we expect that any individual losses would be covered by gains in new business, as it could conceivably take up to a year to resolve a specific business line by implementing new processes, divesting, staff reduction, changing vendors, etc. Product lines are monitored monthly and any loss is immediately analyzed to prevent further decline in revenue.

**FY 05 Target:** 90% of products/services cover their costs with revenue.<sup>4</sup>

**FY 06 Target:** Percentage of products/services achieving a Net Operating Result (NOR) of 100%. This KPI technically remains the same as far as metrics but the goal has been increased. It was clarified to clearly articulate that each cost center much recover at a rate of 100%. During the past two years, PSC has completed Business Case Analysis on many of its product lines and has completed extensive reengineering that will be fully transitioned by FY 2006. PSC has identified its core business products and all should be operating at the highest recovery levels by FY 2006.

Data Verification and Validation: Data will be obtained from the Cost Recovery Reports from the PRICES System. These reports itemize the costs (expenses), revenue, and percentage of cost recovery for each PSC cost center. Actual performance will be calculated as the percentage of all cost centers whose cost recovery is 100%.

## ***2.6. Achieve unqualified (clean) audit opinions for the PSC as well as zero material weaknesses (MW) and reportable conditions (RC)***

Achieving an unqualified audit opinion from independent auditors is a significant performance measure of how PSC implement management control and maintains its financial records. The goal each year is to receive a clean audit opinion. However, when material weaknesses and reportable conditions are identified, the PSC implements a Corrective Action Plan and monitors progress towards resolving the issues.

**FY 05 Target:** An “unqualified” audit opinion with no new material weaknesses and no new reportable conditions.

**FY 06 Target:** An “unqualified/clean” audit opinion. This KPI has been reworded for clarification. The metrics remain the same however; we are addressing the entire audit at the highest level rather than addressing material weaknesses and reportable conditions. Measurable progress will be made on correcting existing material weaknesses and reportable conditions.

Data Verification and Validation: Actual results will be identified in the annual financial audit performed by independent auditors.

## ***2.7 Achieve overall increase in employee satisfaction***

The PSC recognizes the importance of employee satisfaction with respect to the overall success of the organization. We participate in the DHHS-wide Human Resource Management Index (HRMI) Survey, which measures employee satisfaction with their work environment, leadership, agency, etc. Surveys are sent out on an annual basis in the early May timeframe. However the FY04 survey was delayed and results were not available until January 2005. Results indicate a satisfaction rate among employees at 68% (responses range from Neutral to Very Positive).

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<sup>4</sup> When goal 2.5 was originally established, there was no baseline. It was not expected that the PSC could achieve 100% NOR in its first year tracking this information. As a result, the FY 2005 goal was set at 90%. At the conclusion of FY 2004, the PSC was, in fact, able to achieve a 100% recovery rate. In FY 2005, the PSC will strive to exceed this target.



**FY 05 Target:** 77% of employees express overall satisfaction with the PSC in a rating of neutral to very positive.

**FY 06 Target:** Maintain 75% of employees expressing overall satisfaction with the PSC in a rating of neutral to very positive.<sup>5</sup>

Data Verification and Validation: Data will be obtained from the results of the Human Resource Management Index (HRMI) survey.

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<sup>5</sup> When goal 2.7 was originally established, there was limited information available to justify the target. However, we now believe that the FY 2005 target is ambitious based upon FY 03 and FY 04 results. The FY 2005 goal had already been established when this information became available; therefore the goal could not be adjusted. However, the PSC revised the target for FY 06 based on this baseline information. Regardless, PSC always strives to exceed these targets.

## Summary of Full Cost

**Summary of Full Cost of Performance Program Areas**  
**Program Support Center**  
**(\$ in Millions)**

<b>Request, Full Costs &amp; Annual Measures</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
Customer Service	314,529	-	-
Financial Resource Management	81,624	-	-
Business Strategy and Innovation	49,321	-	-
Employee Management Development	18,649	-	-
Improve Quality	-	187,461	189,768
Improve Cost Savings to HHS	-	348,141	352,426
<b>Program Total</b>	<b>\$ 464,123</b>	<b>\$ 535,602</b>	<b>\$ 542,193</b>

## **Changes and Improvements over Previous Year**

In an effort to focus on PSC-wide and outcome oriented goals we have streamlined the PSC Performance Plans. Many of the FY 2002 goals and targets, which are largely service area outputs, were dropped from the Plans. Although many of the FY 2002 goals will no longer be reported in GPRA, we will continue to track those, and many others, through our performance management plans. We have gone from 44 goals in FY 2002 to 21 in FY 2003, 15 in FY 2004, 10 in FY 2005, and have maintained the same 10 in FY 2006.

As we implemented our Logic Model and prepare to use the PART Assessment approach, our measures have changed as we studied how to effectively meet our end outcomes. All FY 2004 goals have been dropped for FY 2005 and FY 2006 and replaced with the goals listed beginning on page 56. These new goals align with the President's Management Agenda and the HHS Annual Plan thus improving PSC's performance alignment with the Department. The FY 2005 and FY 2006 goals are relevant to all organizations within PSC which eliminates the siloed approach to performance management used in the past.

## **Links to HHS and Agency Strategic Plans**

By its very nature, the PSC is a performance-driven organization. This is accomplished through the provision of centralized, qualitative administrative support services, which eliminates duplication, capitalizes on expertise, economies of scale and cost savings.

As a fee-for-service organization, we must continuously review our processes with sensitivity toward the long-range goals of retaining our current customers and acquiring new ones. The PSC realizes that workloads and priorities from our customers vary based on the influences and pressures inherent in their own organizations, across the Federal government and, in some instances, even globally. Our strategic planning anticipates the need for constant improvement in the accuracy of information, while continuously trying to find alternative methods that will result in reduced fees and maximized performance for customers. This proactive approach in developing strategic objectives recognizes that information and feedback from our customers, our vendors, and our employees serve as an invaluable and essential role in shaping our future customer service and marketing efforts. We further realize that only by conducting extensive analysis of new acquisition methods, technical developments, and market trends can we maintain and expand our current competitive edge, and accelerate our growth in the Federal marketplace.

Services offered by the PSC contribute to enhanced capacity for the HHS program components to meet their challenges for the future. Successful achievement of PSC's performance goals will result in the reduction of the Department's overall cost for administrative support. Therefore, we consider that our Plan supports all of the HHS strategic goals from an administrative support perspective.

Performance is measured by several customer satisfaction feedback tools which assess the percent of customers expressing overall satisfaction relative to timeliness, quality, cost and courtesy and the reduction of costs associated with administrative support services cost across the Department. Further variable measures include annual improvement of costs per service captured by percentages of costs decreased, maintained and/or increased. Because the PSC operates through the Service and Supply Fund, it combines elements of both receipt and expenditure account types. In concept, this fund permits the financing of our activities on what is regarded as a more "business-like" basis.

The PSC has over 55 specific business lines in the five major Service areas, each contributing to the overall outcomes of the program.

### **Partnerships and Coordination**

The PSC adheres to a policy of partnership with both its customers and vendors. Employees work cooperatively to find solutions to problems should they occur and to lay the proper groundwork to prevent disputes and disagreements among the contract parties.

The PSC's market for its support services includes all agencies and Departments of the Federal Government and the District of Columbia. The range of services and products that the PSC has developed and cultivated in concert with its customers has enabled management to begin to expand its core customer network. This strategy has enabled PSC to optimize the opportunities that management believes exist within Federal agencies while investing in its own workforce and infrastructure. It has also led us to refine our core capabilities and to partner with leaders when they are the experts.

To date, the PSC has reviewed 56% of its cost centers (31 of 55; a 9% increase over FY 2003). Partnering or alternative sources were reviewed for best business practices and several partnering opportunities were implemented or recommended. The PSC Library BCA revealed that NIH had several similar libraries with state-of-the-art facilities. In order to maintain this business line within the PSC, we would have had to incur substantial costs to modernize. Therefore, a merger was negotiated; the business line and PSC Library employees have been transferred to NIH as of January 2004. Also in FY 2004, the PSC identified and conducted a Strategic Sourcing pilot. Through a viability assessment, a common approach to increase efficiencies and drive cost savings across all Operating (OpDivs) and Staff (StaffDivs) Divisions of HHS when purchasing office supplies was identified. The assessment was completed using a sampling of three PSC office commodity categories and buying statistics. Results proved significant enough to warrant implementation of a Department strategic sourcing pilot with the intention of creating framework for a "Center of Excellence" that will support contracting for Department-wide commodities.

Currently, the PSC provides an extensive range of administrative support services and products to the following representative sample of Executive Branch agencies:

- Department of Agriculture
- Department of Commerce
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Housing and Urban Development
- Department of the Interior
- Department of Justice
- Department of Labor
- Department of State
- Department of Transportation
- Department of the Treasury
- Department of Veterans Affairs

Representative independent establishments and Government corporations currently receiving products and services include the following:

- Consumer Product Safety Commission
- D.C. Government
- Environmental Protection Agency
- Federal Deposit Insurance Corporation
- Federal Emergency Management Agency
- General Accounting Office
- Internal Revenue Service
- National Aeronautics and Space Administration
- National Archives and Records Administration
- Office of Personnel Management
- Peace Corps
- Railroad Retirement Board
- Securities and Exchange Commission
- Small Business Administration
- Social Security Administration
- U.S. Agency for International Development
- U.S. Postal Service

The expanding list of customers reflects the commitments that the PSC has made to its customers and the capabilities of its workforce to address the needs of diverse customers. Whether responding to embassies worldwide, ships-at-sea, national emergencies or processing payroll and grants and contracts payments, the PSC maintains high standards for performance.

PSC staff meet with customers on a routine basis to determine concerns, additional services and/or enhancements needed to current systems or processes, and reporting needs. Employees participate in Government-wide forums to stay abreast of new policies and procedures, new concepts and technologies, and take advantage of training opportunities offered to keep current in their areas of responsibility.

We communicate on an ongoing basis and meet regularly with members of the SSF Board of Directors to discuss current and future administrative service needs and options within HHS.

### **Data Verification and Validation**

Current operating reports such as cost recovery reports, the CORE Accounting System, and the personnel/payroll data file are utilized to develop baseline and actual operating data and are augmented with customer/user groups and employee and customer satisfaction surveys. Repeat surveys are used to gauge the effect of any corrective actions and to identify further improvement targets. Formal reports, audits and other data sources are used to verify and validate the actual performance data.

## **Performance Measurement Linkages**

### **Cost Accounting**

The account structure for the PSC is established in sufficient detail to enable the CORE accounting system to accumulate cost and revenue data at the cost center/product line level. Availability of this data allows for the preparation of monthly or quarterly financial statements for management review. Summary data that is directly tied to the budgets is prepared for presentation to the Board of Directors.

### **Information Technology (IT) Planning**

Information Technology oversight is provided by the PSC Office of Business Technology Optimization (BTO). Our portfolio of IT investments is monitored by the HHS Information Technology Investment Review Board (ITIRB) as appropriate, which includes the Director of BTO and other HHS Chief Information Officers (CIOs). The HHS ITIRB was chartered to ensure that our funds are expended only for information systems investments that take into consideration risk adjusted returns and emphasizes interoperability, improved delivery of services, and reduced costs where possible. Whenever a new investment is proposed to the HHS ITIRB, its sponsoring business area must first prepare a business case that follows OMB and HHS guidance and gains their approval. The functions described in the business case must be mission critical; there must be assurance that no other government or private entity can do the function more cost effectively; business processes must have been simplified or otherwise redesigned to reduce cost and improve effectiveness. Additionally, PSC's IT decision-making process is structured to comply with the requirements of the HHS ITIRB as well as the SSF Board of Directors.

During FY 2004, the PSC finalized reorganization and consolidation of all IT Infrastructure personnel within the PSC into one organization, the Information Technology Service Center (ITSC). As such, effective March 1, 2004, the PSC transferred 21 positions to the ITSC. Also, the PSC transferred an additional five (5) positions to the Web Portal Office in the OS. This reorganization helps ensure compliance with One Department initiatives such as the small OPDIV consolidation. The PSC has played an active role within the small OPDIV IT consolidation by participating in group meetings establishing mission and goals, participating in development of a Statement of Work (SOW) for contractor support for the ITSC, meeting with the other participants during the initial data gathering phase, and hosting meetings for the ITSC. In this manner, PSC is fostering the tenets of the "One Department" methodology.

PSC has also participated in Departmental workgroups aimed at consolidating individual OPDIV IT initiatives. As part of that effort aimed at a "One Department," the PSC has active and/or leading members for the Departmental Enterprise Architecture, Public Key Infrastructure (PKI), Section 508 Compliance, UFMS, eTravel, and IT Security Groups.

### **Capital Planning**

The HHS Capital Planning Process calls for quarterly ITIRB reviews of major investments in development. Currently, there are four such PSC investments: Electronic Official Personnel Folder (eOPF), Commissioned Corps Payroll, Enterprise Performance Management (EPM), and Learning Management System (LMS).

For all IT investments submitted to the ITIRB, PSC shall provide a business case and associated products including at least the following products. At each stage in the ITIRB review process, as shown in the figure below, specific products are to be reviewed.

- (1) A business need and high level requirements analysis that defines the specific need and requirements this system will fulfill, clearly demonstrates how the project supports the OPDIV and HHS strategic plans, business functions, and mission-critical functions, and HHS IT architecture.
- (2) Return on investment (ROI) and cost-benefit/alternatives analysis in accordance with the HHS IRM Policy for Conducting Information Technology Alternatives Analysis, HHS-IRM-2000-0002.
- (3) A risk assessment and mitigation plan.
- (4) A technical strategy and plan.
- (5) An economic sensitivity analysis to assess economic impacts due to changes in key variables.
- (6) A performance measurement plan that includes an identification, definition, collection and tracking plan.
- (7) A spending and procurement plan, including Independent Verification and Validation (IV&V) and testing funds.
- (8) A project plan, a schedule, and a work breakdown structure.

Each of the elements for a given stage must be addressed. If they do not apply, the response shall state the reason for non-conformance. Guidance for preparing these documents can be found in HHS-IRM-2000-0001 and its attached guideline documents.

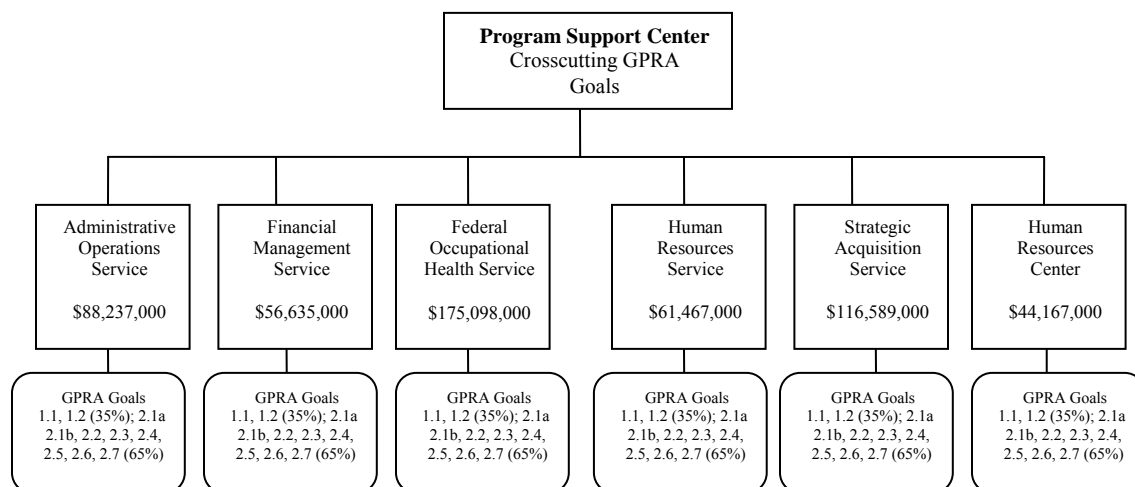
### Program Evaluation

The PSC's evaluation priorities are to evaluate the effectiveness of PSC activities and identify weaknesses in customer service, quality and cost reductions. Our financial performance is formally reviewed at least annually or more often if necessary. Throughout the PSC, financial performance data in terms of costs versus revenues are reviewed to ensure efficient and effective performance in the fee-for-service arena. In the spring of each year, a formal mid-year review is conducted and presented to the Board of Directors. This process evaluates the performance of each activity in terms of costs versus revenues for the year to determine the need for any mid-year rate adjustments, identify potential rebates or other issues needing further discussion such as changes driven through technological advancements. Customer feedback is analyzed to foster a service-oriented environment that delivers time sensitive, qualitative goods and services at the most competitive price.

Management evaluates all this information in the context of improving business practices and organizational effectiveness within the realm of decreased costs, increased efficiencies or increased productivity and most importantly, a satisfied customer. Management also uses this information to shift resources where appropriate to develop or improve overall business while maintaining an organizational competitive edge.

## Summary of Measures

### **FY 2006 PSC Budget and GPRA Goals**



## PSC Performance Report Summary

### **Measures and Results Summary Table**

Fiscal Year	Total Measures in Plan	Outcome Measures	Output Measures	Efficiency Measures	Results Reported	Results Met	Results Not Met
2000	42	2	40	0	42	27	15
2001	42	6	36	0	42	28	14
2002	44	6	38	0	31	28	5
2003	21	16	5	0	18	14	4
2004	15*	9*	6*	3	15	12	3
2005	10	10**	0**	1	N/A	N/A	N/A
2006	10	10	0	1	N/A	N/A	N/A

\* Total measures in Plan have decreased due to goal 1.16 being dropped in FY 2004. The PSC Office of Information Technology (OIT) was abolished and all IT infrastructure support was transferred into the HHS Information Technology Service Center. Also, see page 102 for narrative on two additional goals (2.2. and 4.6.) being dropped and one goal (3.1 and 3.2) being combined.

\*\*Changed numbers to reflect new FY 2005 Plan of newly developed key performance indicators.

The Program Support Center (PSC) subscribes to Peter Drucker's theory that "what gets measured, gets done." Linking our performance organizationally and measuring our progress and performance is an essential part of our strategic visioning and planning process.

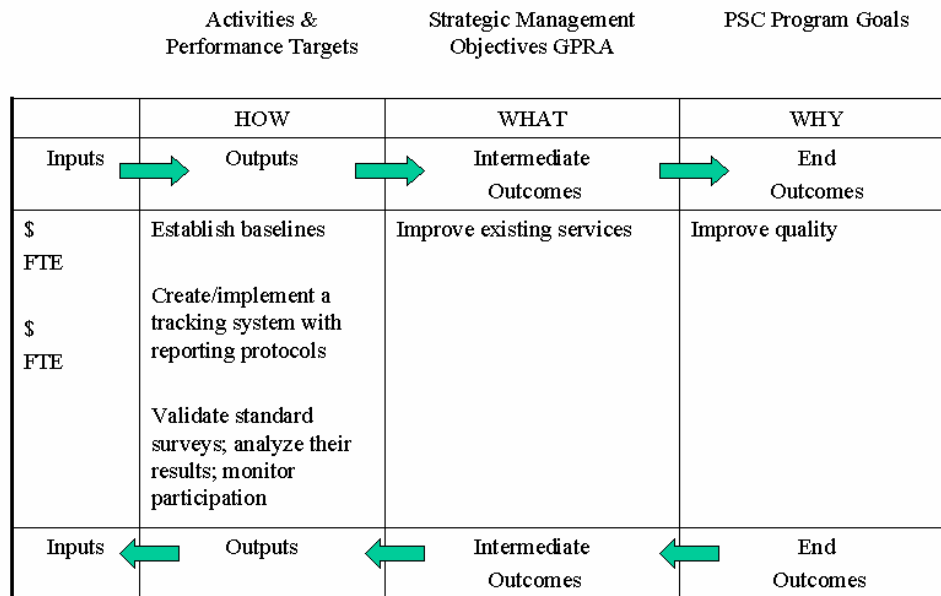
The PSC FY 2006 performance goals and targets are directly linked to Department goals and the PSC strategic goals. Successful accomplishment of these goals and objectives is the focus at all



levels in the PSC. The objectives are broad and encompass every operation and employee of the PSC.

To establish our program end outcomes and set future priorities, we have incorporated a logic model into our performance management approach. The logic model is designed to clearly define the PSC overall end-outcomes and to determine the intermediate outcomes needed to consistently monitor the performance of our organization from the highest to lowest levels through Key Performance Indicators (KPIs).

### Sample Logic Model



An activity can put too many measures in place, provide wrong and/or complicated measures of little value, and/or collect data that is difficult to analyze. The Logic Model simplifies this process by defining the true end outcomes of the mission and developing measures that will gauge the health and success of the mission at all levels. It has also led us in developing consistent and broad goals that apply at all levels of the organization as we all work towards the same mission. Our KPIs will measure our success at achieving quality and cost, our PSC basis of existence. The success of this mission is dependent on all employees of the PSC. While the end-outcomes will remain the same, our KPIs must remain flexible as we continually strive to measure all aspects of quality and cost. As the PSC works toward total implementation of the Logic Model, we have identified activities and processes that ensure quantifiable results that will ultimately identify root causes of missed goals or opportunities. This approach will cascade throughout the PSC to ensure that every employee understands how he or she contributes to these goals, with accountability reaching the lowest levels of the organization.

As we focus on PSC-wide and outcome oriented goals, we have gone from 44 goals in FY 2002 to 21 in FY 2003, 15 in FY 2004, 10 in FY 2005 and have maintained the same 10 in FY 2006. The KPIs developed will parallel the current FY 2004 goals and objectives. Since complete buy-in has

occurred throughout the organization, this fully operational, performance management system is now reflected in our new FY 2005 and FY 2006 performance plans with some baseline data occurring in FY 2003 and the remaining in FY 2004.

## **Special Requirements Additional Material**

### **Unified Financial Management System**

The Unified Financial Management System (UFMS) is being implemented to replace five legacy accounting systems currently used across the Operating Divisions (OPDIV)). The UFMS will integrate the Department's financial management structure and provide HHS leaders with a more timely and coordinated view of critical financial management information. The system will also facilitate shared services among the Agencies and thereby, help management reduce substantially the cost of providing accounting service throughout HHS. Similarly, UFMS, by generating timely, reliable and consistent financial information, will enable the component agencies and program administrators to make more timely and informed decisions regarding their operations.

The Program Management Office (PMO) and the Program Support Center (PSC) have commenced Operations and Maintenance (O&M) activities for UFMS in FY 04. The PMO and the PSC will provide the O & M activities to support UFMS. The scope of proposed O & M services includes post deployment support and ongoing business and technical operations services. Post-deployment services include supplemental functional support, training, change management and technical help-desk services. On-going business operation services involve core functional support, training and communications, and help desk services. On-going technical services include the operations and maintenance of the UFMS production and development environments, on-going development support, and backup and disaster recovery services.

### **Enterprise Information Technology**

The Program Support Center's request includes funding to support the President's Management Agenda Expanding E-Gov initiatives and Departmental enterprise information technology initiatives. Agency funds will be combined with resources in the Information Technology Security and Innovation Fund to finance specific information technology initiatives identified through the HHS strategic planning process and approved by the HHS IT Investment Review Board. These enterprise information technology initiatives promote collaboration in planning and project management and achieve common goals such as secure and reliable communications and lower costs for the purchase and maintenance of hardware and software. Examples of HHS enterprise initiatives currently being funded are Enterprise Architecture, Enterprise E-mail, Network Modernization, and Public Key Infrastructure.

**Retirement Pay and Medical Benefits for Commissioned Officers**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Retirement Pay and Medical Benefits for Commissioned Officers**

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## DEPARTMENT OF HEALTH AND HUMAN SERVICES

### Retirement Pay and Medical Benefits for Commissioned Officers

#### Appropriation Language

For retirement pay and medical benefits of Public Health Service Commissioned Officers as authorized by law, for payments under the Retired Serviceman's Family Protection Plan and Survivor Benefit Plan, and for medical care of dependents and retired personnel under the Dependent's Medical Care Act (10 U.S.C. ch. 55 ), such amounts as may be required during the current fiscal year.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Retirement Pay and Medical Benefits for Commissioned Officers

Amounts Available for Obligation

	FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>
Mandatory <sup>6</sup>	\$293,699,177	\$311,061,944	\$328,551,820
Discretionary <sup>7</sup>	<u>27,384,375</u>	<u>32,824,000</u>	<u>33,912,000</u>
Total Obligations	\$321,083,552	\$343,885,944	\$362,463,820

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<sup>6</sup> Includes Retirement Payments, Survivors' benefits, and Medical care.

<sup>7</sup> Includes accruals for health care of Medicare-eligible beneficiaries.

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Summary of Changes

2005 Appropriation .....	\$343,885,944
2006 Request .....	<u>362,463,820</u>
Net change .....	+18,577,876

	FY 2005 Current		<u>Change from Base</u>	
	—	<u>Estimate Base</u>		
Changes:	FTE	BA	FTE	BA
1. Annualization of the FY 2005 COLA, 3.5% COLA in FY 2006, and for the projected net increase of retirees during FY 2006	—	\$241,630,000	---	+\$14,563,000
2. Will only cover medical benefits for Officers under age 65. Costs do include a projected increase of 3.8% in medical care costs for these Officers.	—	54,680,944	---	+2,077,876
3. Will cover Medicare Eligible Accrual Benefits for Officers under age 65.	—	32,824,000	---	+1,088,000
4. Annualization of the FY 2005 COLA, 3.5% COLA in FY 2006, and projected net increase in average costs per survivor in FY 2006	—	14,751,000	---	+849,000
Net change			---	+\$18,577,876

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Budget Authority by Activity

	FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>
Retirement payments	\$227,113,260	\$241,630,000	\$256,193,000
Survivors' benefits	14,008,086	14,751,000	15,600,000
Medical care	52,577,831	54,680,944	56,758,820
Medicare Eligible Accruals	<u>27,384,375</u>	<u>32,824,000</u>	<u>33,912,000</u>
Total	\$321,083,552	\$343,885,944	\$362,463,820



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Retirement Pay and Medical Benefits for Commissioned Officers

Budget Authority by Object

	FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>	Increase/ <u>Decrease</u>
Benefits for former personnel	\$241,121,346	\$256,381,000	\$271,793,000	+\$15,412,000
Other services	<u>79,962,206</u>	<u>87,504,944</u>	<u>90,670,820</u>	<u>+3,165,876</u>
Total budget authority by object	\$321,083,552	\$343,885,944	\$362,463,820	+\$18,577,876

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Authorizing Legislation

	FY 2005 Amount <u>Authorized</u>	FY 2005 <u>Appropriation</u>	FY 2006 Amount <u>Authorized</u>	FY 2006 <u>Estimate</u>
1. Retirement payments Chapter 6A of Title 42, U.S.C.	Indefinite	\$241,630,000	Indefinite	\$256,193,000
2. Survivors' benefits Chapter 73 of Title 10, U.S.C.	Indefinite	14,751,000	Indefinite	15,600,000
3. Medical care Chapter 55 Of Title 10 U.S.C., P.L. 89-614; P.L.106 -398; P.L.107-107.	Indefinite	54,680,944	Indefinite	56,758,820
4. Medicare Eligible Accruals, Chapter 55 Of Title 10 U.S.C., P.L. 108-375	Indefinite	32,824,000	Indefinite	33,912,000

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Appropriations History Table

<u>Year</u>	<u>Budget Estimate to Congress</u>	<u>House Allowance</u>	<u>Senate Allowance</u>	<u>Appropriation</u>
1992	\$134,674,000	\$134,674,000	\$134,674,000	\$123,189,000
1993	140,762,000	140,762,000	140,762,000	140,463,000
1994	153,060,000	153,060,000	153,060,000	147,191,000
1995	159,321,000	159,321,000	159,321,000	144,370,000
1996	166,925,000	166,925,000	166,925,000	154,715,000
1997	178,635,000	178,635,000	178,635,000	179,008,000
1998	190,739,000	190,739,000	190,739,000	190,996,000
1999	201,635,000	201,635,000	201,635,000	200,870,805
2000	214,905,000	214,905,000	214,905,000	201,842,168
2001	219,772,000	219,772,000	219,772,000	245,956,147
2002	242,577,000	242,577,000	242,577,000	273,478,736
2003	251,039,000	251,039,000	251,039,000	291,471,400
2004	308,763,000	308,763,000	308,763,000	321,083,552
2005	324,636,000	324,636,000	324,636,000	343,885,944
2006	362,463,820			

# DEPARTMENT OF HEALTH AND HUMAN SERVICES

## Retirement Pay and Medical Benefits for Commissioned Officers

### Justification

#### A. Account Summary

	FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>	Increase or <u>Decrease</u>
Retirement payments	\$227,113,260	\$241,630,000	\$256,193,000	+\$14,563,000
Survivors' benefits	14,008,086	14,751,000	15,600,000	+849,000
Medical care	52,577,831	54,680,944	56,758,820	+2,077,876
Medicare Eligible Accruals	<u>27,384,375</u>	<u>32,824,000</u>	<u>33,912,000</u>	<u>+1,088,000</u>
Total budget authority .....	\$321,083,552	\$343,885,944	\$362,463,820	+\$18,577,876

#### B. General Statement

This appropriation provides for retirement payments to Public Health Service (PHS) officers who are retired for age, disability, or a specified length of service as well as for payments to survivors of deceased retired officers who had elected to receive reduced retirement payments.

This account also funds the provision of medical care to active duty and retired members of the PHS Commissioned Corps, and to dependents of active duty, retired and deceased members of the PHS Commissioned Corps.

The Medicare Eligible Accruals are funded through this account based on the number of active PHS Commissioned Corps members.

The FY 2006 request is a net increase of \$18,577,876 over the FY 2005 level. This amount reflects increased medical benefits costs, an annualization of amounts paid to retirees and survivors in FY 2004, and a net increase in the number of retirees and survivors during FY 2004. The budget request includes a cost-of-living adjustment (COLA) of 3.5 percent.

### C. Retirement Payments

Authorizing legislation - Chapter 6A of Title 42 U.S.C.

FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>	Increase or <u>Decrease</u>
\$227,113,260	\$241,630,000	\$256,193,000	+\$14,563,000

2006 Authorization ..... Indefinite

#### Purpose and Method of Operation

The purpose of this activity is to provide mandatory payments to Commissioned Officers of the Public Health Service who have been retired for age, disability or specified length of service.

Funding levels for the past five fiscal years were as follows:

2001 .....	193,942,280
2002 .....	204,224,261
2003 .....	213,938,930
2004 .....	228,064,000
2005 .....	241,630,000

#### Rationale for the FY 2006 Budget Request

The FY 2006 request of \$256,193,000 is an increase of \$14,563,000 over the FY 2005 level and will support payments to an estimated 4,582 annuitants. The increase will fund the annualization costs of the FY 2005 COLA, an FY 2006 COLA of 3.5 percent, and the projected net increase of 110 retirees during FY 2006.

The FY 2006 estimates are based on payments to the following number of retirees:

<u>Period Ending</u>	<u>Total</u>	<u>Net Increase/(Decrease)</u>
September 30, 2005, (est.)	4,472	108
September 30, 2006, (est.)	4,582	110

#### D. Survivors' Benefits

Authorizing legislation - Chapter 73 of Title 10 U.S.C.

<u>FY 2004</u> <u>Actual</u>	<u>FY 2005</u> <u>Appropriation</u>	<u>FY 2006</u> <u>Estimate</u>	<u>Increase or</u> <u>Decrease</u>
\$14,008,086	\$14,751,000	\$15,600,000	+\$849,000

2006 Authorization..... Indefinite

#### Purpose and Method of Operation

This activity provides for the payment of annuities to survivors of retired officers who had elected to receive reduced retirement payments under the Retired Serviceman's Family Protection Plan and Survivor's Benefit Plan. This program is financed by the Federal Government although deductions are made in the retirement payments to the officers who elect the option of survivors' benefits.

Funding levels for the past five years were as follows:

2001.....	11,336,715
2002.....	13,216,357
2003.....	13,478,866
2004.....	14,298,000
2005.....	14,751,000

#### Rationale for the FY 2006 Budget Request

The FY 2006 request of \$15,600,000 is an increase of \$849,000 from the FY 2005 level and will provide payments for an estimated 660 annuitants. This amount includes funds for the annualization costs of the FY 2005 COLA and the FY 2006 COLA of 3.5 percent.

The FY 2006 estimates are based on payments to the following numbers of annuitants:

<u>Period Ending</u>	<u>Total</u>	<u>Net</u> <u>Increase</u>
September 30, 2004, (act.)	636	24
September 30, 2005, (est.)	648	12
September 30, 2006, (est.)	660	12

## E. Medical Care

Authorizing legislation - Chapter 55 of Title 10 U.S.C.; P.L. 106-398; and P.L. 107-107.

<u>FY 2004 Actual</u>	<u>FY 2005 Appropriation</u>	<u>FY 2006 Estimate</u>	<u>Increase or Decrease</u>
\$52,577,831	\$54,680,944	\$56,758,820	\$2,077,876

2006 Authorization..... Indefinite

### Purpose and Method of Operation

This program provides for the cost of medical care rendered in non-Federal and in uniformed service facilities to active duty and retired PHS commissioned officers and dependents of eligible personnel.

This activity fulfills the mandatory medical care obligations of the Public Health Service to Commissioned Officers and their dependents. Medical care to eligible beneficiaries is authorized under the Dependents' Medical Care Act, as amended by P.L. 89-614, which allows for an expanded and uniform program of medical care to active duty and retired members of the uniformed services, and dependents of active duty, retired and deceased members. Health care provided in a uniformed service facility is billed directly to the Public Health Service by that organization. When medical care is provided to dependents or retirees in a private facility, the Civilian Health and Medical Program of the Uniformed Services (TRICARE) acts as the Government's agent to arrange payment and, in turn, bills the Public Health Service for the services rendered. In addition, contract medical care is arranged for active duty officers who are not stationed in an area accessible to uniformed facilities.

Funding levels for the past five years were as follows:

	<u>Total Funding Level</u>	<u>Beneficiaries</u>
2001	39,325,152	27,500
2002	50,239,318	27,500
2003	38,915,768	27,500
2004	52,577,831	27,500
2005	54,680,944	27,500

### Rationale for FY 2006 Budget Request

The request of \$56,758,820 will provide medical care for under age 65 beneficiaries. The FY 2006 request reflects increases in cost of drugs and inpatient and outpatient care for all beneficiaries in Federal and non-Federal facilities

## F. Medicare Eligible Accruals

Authorizing legislation - Chapter 55 of Title 10 U.S.C.; P.L. 108-375.

FY 2004 <u>Actual</u>	FY 2005 <u>Appropriation</u>	FY 2006 <u>Estimate</u>	Increase or <u>Decrease</u>
\$27,384,375	\$32,824,000	\$33,912,000	\$1,088,000

2006 Authorization..... Indefinite

### Purpose and Method of Operation

The purpose of this activity is to provide discretionary payments of accrual amounts to the Department of Defense Uniformed Service Retiree Health Care Fund for Medicare-eligible beneficiaries on behalf of the PHS Commissioned Corp. The cost of medical benefits for Medicare-eligible beneficiaries is paid from the Department of Defense Medicare-Eligible Retiree Health Care Fund (10 U.S.C., ch. 56). Beginning in 2006, permanent indefinite authority is provided for a discretionary appropriation of the annual accrual payment into this fund (P.L. 108-375, section 725).

### Rationale for FY 2006 Budget Request

The request of \$33,912,000 includes an increase of \$1,088,000 which reflects the accrual rate that has been determined by the DoD Actuary Report.